



PALMERSTON NORTH CITY COUNCIL

AGENDA

FINANCE & AUDIT COMMITTEE

9AM, WEDNESDAY 17 JUNE 2020

**ELWOOD ROOM, CONFERENCE & FUNCTION CENTRE
354 MAIN STREET, PALMERSTON NORTH**



MEMBERSHIP

Susan Baty (Chairperson)
Karen Naylor (Deputy Chairperson)
Grant Smith (The Mayor)

Stephen Armstrong
Vaughan Dennison
Renee Dingwall
Lew Findlay QSM
Patrick Handcock ONZM

Leonie Hapeta
Lorna Johnson
Bruno Petrenas
Tangi Utikere

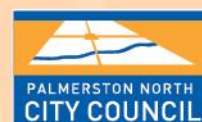
Agenda items, if not attached, can be viewed at:

pncc.govt.nz | Civic Administration Building, 32 The Square
City Library | Ashhurst Community Library | Linton Library

Heather Shotter
Chief Executive, Palmerston North City Council

Palmerston North City Council

W pncc.govt.nz | E info@pncc.govt.nz | P 356 8199
Private Bag 11034, 32 The Square, Palmerston North



FINANCE & AUDIT COMMITTEE MEETING

17 June 2020

ORDER OF BUSINESS

NOTES:

- The Finance & Audit Committee meeting coincides with the ordinary meeting of the Play, Sport & Recreation Committee. The Committees will conduct business in the following order:
 - Finance & Audit Committee
 - Play, Sport & Recreation Committee
- This meeting will also be held via audio visual links. A recording of the meeting will be made available on our website shortly after the meeting has finished.

If you wish to attend this meeting via audio visual link then please contact the Democracy & Governance Administrator, Natalya Kushnirenko, on natalya.kushnirenko@pncc.govt.nz to request a link.

1. Apologies

2. Notification of Additional Items

Pursuant to Sections 46A(7) and 46A(7A) of the Local Government Official Information and Meetings Act 1987, to receive the Chairperson's explanation that specified item(s), which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded, will be discussed.

Any additions in accordance with Section 46A(7) must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

Any additions in accordance with Section 46A(7A) may be received or referred to a subsequent meeting for further discussion. No resolution, decision or recommendation can be made in respect of a minor item.

3. Declarations of Interest (if any)

Members are reminded of their duty to give a general notice of any interest of items to be considered on this agenda and the need to declare these interests.

4. Public Comment

To receive comments from members of the public on matters specified on this Agenda or, if time permits, on other Committee matters.

(NOTE: If the Committee wishes to consider or discuss any issue raised that is not specified on the Agenda, other than to receive the comment made or refer it to the Chief Executive, then a resolution will need to be made in accordance with clause 2 above.)

5. Confirmation of Minutes

Page 7

“That the minutes of the Finance & Audit Committee meeting of 18 March 2020 Part I Public be confirmed as a true and correct record.”

6. Palmerston North Airport Limited - Updated draft Statement of Intent for 2020/21

Page 13

Memorandum, presented by Steve Paterson, Strategy Manager - Finance.

7. Fees and Charges - Confirmation Following Public Consultation

Page 35

Memorandum, presented by Steve Paterson, Strategy Manager - Finance.

8. Public Rental Housing within Council's Whakarongo Subdivision

Page 49

Memorandum, presented by Bryce Hosking, Manager - Property.

9. CET Arena - Commercial Building Opportunity Page 59

Report, presented by Bryce Hosking, Manager - Property.

10. Committee Work Schedule Page 97

11. Exclusion of Public

To be moved:

“That the public be excluded from the following parts of the proceedings of this meeting listed in the table below.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for passing this resolution

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as stated in the above table.

Also that the persons listed below be permitted to remain after the public has been excluded for the reasons stated.

[Add Third Parties], because of their knowledge and ability to assist the meeting in speaking to their report/s [or other matters as specified] and answering questions, noting that such person/s will be present at the meeting only for the items that relate to their respective report/s [or matters as specified].

PALMERSTON NORTH CITY COUNCIL

Minutes of the Finance & Audit Committee Meeting Part I Public, held in the Council Chamber, First Floor, Civic Administration Building, 32 The Square, Palmerston North on 18 March 2020, commencing at 9.01am

Members Present: Councillor Susan Baty (in the Chair), The Mayor (Grant Smith) and Councillors Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas and Tangi Utikere.

Non Members: Councillors Brent Barrett, Zulfiqar Butt and Aleisha Rutherford.

Apologies: Councillors Rachel Bowen, Billy Meehan and Karen Naylor.

Councillor Aleisha Rutherford left the meeting at 11.05am during consideration of clause 14. She entered the meeting again at 11.18am at the conclusion of clause 14. She was not present for clause 14.

Councillor Vaughan Dennison was not present when the meeting resumed at 3.50pm. He was not present for clauses 16 to 18 inclusive.

Councillor Lew Findlay QSM was not present when the meeting resumed at 3.50pm. He was not present for clauses 16 to 18 inclusive.

11-20 Apologies

Moved Susan Baty, seconded Tangi Utikere.

The COMMITTEE RESOLVED

1. That the Committee receive the apologies.

Clause 11-20 above was carried 13 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

The meeting adjourned at 9.02am

The meeting resumed at 10.46am

12-20 Confirmation of Minutes

Moved Susan Baty, seconded Patrick Handcock ONZM.

The COMMITTEE RESOLVED

1. That the minutes of the Finance & Audit Committee meeting of 19 February 2020 Part I Public be confirmed as a true and correct record.

Clause 12-20 above was carried 12 votes to 0, with 1 abstention, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

Abstained:

Councillor Leonie Hapeta.

13-20

Audit New Zealand Report to Council

Memorandum, presented by Stuart McKinnon, Chief Financial Officer.

Moved Susan Baty, seconded Leonie Hapeta.

The **COMMITTEE RESOLVED**

1. That the interim 2018/19 Management Report from Audit New Zealand be received.
2. That the final 2018/19 Management Report from Audit New Zealand be received.

Clause 13-20 above was carried 13 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

14-20

Palmerston North Airport Ltd - Interim Report for 6 months to 31 December 2019

Memorandum, presented by Steve Paterson, Strategy Manager - Finance.

Councillor Aleisha Rutherford left the meeting at 11.05am.

Moved Susan Baty, seconded Grant Smith.

The **COMMITTEE RECOMMENDS**

1. That the Interim Report and Financial Statements of Palmerston North Airport Ltd for the period ended 31 December 2019 be received.

Clause 14-20 above was carried 12 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas and Tangi Utikere.

Councillor Aleisha Rutherford entered the meeting at 11.18am.

15-20

Palmerston North Airport Ltd - Draft Statement of Intent for 2020/21

Memorandum, presented by Steve Paterson, Strategy Manager - Finance.

Moved Vaughan Dennison, seconded Grant Smith.

The **COMMITTEE RECOMMENDS**

1. That the Palmerston North Airport Ltd (PNAL) draft Statement of Intent (SOI) for 2020/21 be received and the associated presentation, including the preliminary assessments from the Board Chair and Chief Executive of the impact of COVID-19 on the company, be noted.

Clause 15.1 above was carried 13 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

Moved Vaughan Dennison, seconded Grant Smith.

2. That PNAL be advised the Council supports the proposed direction and implementation strategy and that an updated version of the SOI be prepared for Council consideration following the Board's consideration of the potential impact of COVID-19 on the budgeted financial position.

Clause 15.2 above was carried 13 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

Moved Vaughan Dennison, seconded Grant Smith.

3. That PNAL be advised that in the interests of supporting the proposed Terminal Development Plan, the Council is prepared to consider an amendment to the dividend policy, though the nature of that policy will need to be considered in the light of the updated financial forecasts.

Clause 15.3 above was carried 13 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Vaughan Dennison, Renee Dingwall, Lew Findlay QSM, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

The meeting adjourned at 12.02pm.

The meeting resumed at 3.50pm.

When the meeting resumed Councillors Vaughan Dennison and Lew Findlay were not present.

16-20

Fees and Charges Review

Report, presented by Steve Paterson, Strategy Manager - Finance.

Moved Susan Baty, seconded Brent Barrett.

The **COMMITTEE RECOMMENDS**

1. That the Fees and Charges Review report be received and the current status of fees and charges be noted.

Trade waste

2. That the proposal to adopt updated fees and charges for Trade Waste services effective from 1 July 2020 as attached in Appendix 2, be approved for public consultation and the Chief Executive be authorised to undertake the necessary consultative process under sections 82 and 150 of the Local Government Act 2002.

Planning & Miscellaneous

3. That the Statement of Proposal (and the associated summary) to adopt updated fees and charges for Planning Services and Miscellaneous Services effective from 1 July 2020 as attached in Appendix 3, be approved for public consultation and the Chief Executive be authorised to undertake the necessary consultative process under sections 83 and 150 of the Local Government Act 2002.

Building

4. That the fees and charges for Building Services, as proposed in Appendix 4 be adopted and following public notification take effect from 1 July 2020.

Environmental Health

5. That the fees and charges for Environmental Health Services (in terms of regulation 7 of the Health (Registration of Premises) Regulations 1966) as proposed in Appendix 5, be adopted and following public notification, take effect from 1 July 2020.

Animal Control

6. That the fees and charges for the Impounding of Animals (in terms of section 14 of the Impounding Act 1955) and for Dog Registration and Dog Impounding (in terms of sections 37 and 68 of the Dog Control Act 1996) as proposed in Appendix 6 be adopted, and following public notification, take effect from 1 July 2020 and that the preferred owner application and suggested process to retain preferred owner status – current preferred owner fee be deleted.

Amended by Council on 25 March 2020
Clause 35-20

Burial & Cremation

7. That the fees and charges for Burial and Cremation, as proposed in Appendix 7 be adopted and following public notification, take effect from 1 July 2020.

Service Connections

8. That the fees and charges for Service Connections, as proposed in Appendix 8 be adopted and take effect from 1 July 2020.

Sportsfields

9. That the fees and charges for Sportsfields as proposed in Appendix 9 be adopted and take effect from 1 July 2020.

Bulk Water Filling Station

10. That the fees and charges for the Bulk Water Filling Station as proposed in Appendix 10 be adopted and take effect from 1 July 2020.

Clause 16-20 above was carried 11 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Renee Dingwall, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

Moved Tangi Utikere, seconded Lorna Johnson.

An amendment was made that the words “and that the preferred owner application and suggested process to retain preferred owner status – current preferred owner fee be deleted” be added to Clause 16.6. The motion was carried 11 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Renee Dingwall, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

17-20

Transforming PNCC's Business Continuity Practice

Memorandum, presented by Miles Crawford, Risk Manager.

Moved Susan Baty, seconded Brent Barrett.

The **COMMITTEE RESOLVED**

1. That the Finance & Audit Committee note progress made in developing Council's business continuity arrangements.

Clause 17-20 above was carried 11 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Renee Dingwall, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

18-20

Committee Work Schedule

After discussion Elected Members requested a business continuity planning update be added to the work schedule for April 2020 with respect to COVID-19.

Moved Patrick Handcock ONZM, seconded Lorna Johnson.

The **COMMITTEE RESOLVED**

1. That the Finance & Audit Committee receive its Work Schedule dated

March 2020.

2. That a business continuity planning update be added to the work schedule for April 2020 with respect to COVID-19.

Clause 18-20 above was carried 11 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Zulfiqar Butt, Renee Dingwall, Patrick Handcock ONZM, Leonie Hapeta, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

The meeting finished at 4.35pm

Confirmed 17 June 2020

Chairperson

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 17 June 2020

TITLE: Palmerston North Airport Limited - Updated draft Statement of Intent for 2020/21

PRESENTED BY: Steve Paterson, Strategy Manager - Finance

APPROVED BY: Stuart McKinnon, Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That the Palmerston North Airport Ltd updated draft Statement of Intent for 2020/21 be received and the Company be advised that:
 - Council supports the draft SOI recognising the uncertainty of significant assumptions that have had to be made in its preparation
 - Council requests an updated company position be provided at the same time as the annual report for 2019/20 is presented (in September) and if changes have been significant that an amended SOI (including projections for 2021/22 and 2022/23) be provided to the Council for consideration
 - Council encourages the Board to progress its capital development programme as soon as this becomes practicable.

1. ISSUE

Palmerston North Airport Ltd (PNAL) as a Council controlled trading organisation is required to prepare and adopt a Statement of Intent (SOI) each year before 30 June. An updated draft SOI for 2020/21 is attached for Council consideration.

2. BACKGROUND

PNAL's draft SOI for 2020/21 was considered by the Finance & Audit Committee on 18 March 2020. The draft was prepared in advance of the implications of the COVID-19 pandemic becoming known.

At the meeting the PNAL Chair and Chief Executive provided an assessment of the potential implications of COVID-19 on the airport operations and in particular the assumptions and financial forecasts in the SOI.

The Committee resolved:

“That the Palmerston North Airport Ltd (PNAL) draft Statement of Intent (SOI) for 2020/21 be received and the associated presentation, including the preliminary assessments from the Board Chair and Chief Executive of the impact of COVID-19 on the company, be noted.

That PNAL be advised the Council supports the proposed direction and implementation strategy and that an updated version of the SOI be prepared for Council consideration following the Board’s consideration of the potential impact of COVID-19 on the budgeted financial position.

That PNAL be advised that in the interests of supporting the proposed Terminal Development Plan, the Council is prepared to consider an amendment to the dividend policy, though the nature of that policy will need to be considered in the light of the updated financial forecasts.”

PNAL’s Board has reconsidered the draft and has approved a radically changed one that is attached under cover of the introductory letter dated 11 May 2020 from the Chief Executive.

PNAL’s approach and the key changes are highlighted in the letter. Due to the high level of uncertainty about the recovery profile the Board has needed to take action that is focused on preserving capital and taking a prudent approach to its borrowings and the associated caveats.

The previous draft had a strong emphasis on growth, terminal and property development. Whilst these are still medium to longer term goals the immediate focus is on facilitating re-establishing its core passenger travel activity. A significant planning assumption in the revised draft is that there will be passenger movements of 265,000 for the 2020/21 year with Air New Zealand recovering to 50% of its 2018/19 passenger levels by 30 June 2021. Given the relatively fixed cost profile of a significant portion of PNAL’s operating costs the forecast financial outcome is sensitive to the actual level of passenger movements. The financial projections are therefore subject to a high level of risk, though PNAL believes the scenario they have adopted is their worst case one.

Although PNAL is still forecasting an operating surplus for the 2019/20 year a loss of \$0.8m is budgeted (under the scenario selected) for 2020/21. Council’s usual expectation is that a dividend of approx. 40% of after-tax profit will be paid. Due to the forecast operating and liquid position during 2020/21 it would not be prudent for the directors to declare a dividend based on the 2019/20 results. The SOI indicates the suspension of the dividend policy during 2020/21.

Due to the level of uncertainty financial projections have not been provided for the following two years as is our usual expectation.

It is pleasing to note that with the recent move to alert level 2 Air New Zealand has recommenced a basic flight schedule that will hopefully grow to at least the levels assumed in the draft SOI. However due to the physical distancing requirements at present flights have restricted passenger numbers.

At this stage it is suggested that the most practical approach to adopt is to advise PNAL:

- the Council supports the draft SOI recognising the uncertainty of the significant assumptions that have had to be made in its preparation
- the Council requests an updated company position be provided at the same time as the annual report for 2019/20 is presented (in September) and if changes have been significant that an amended SOI (including projections for 2021/22 and 2022/23) be provided to the Council for consideration
- the Council encourages the Board to progress its capital development programme as soon as this becomes practicable.

3. NEXT STEPS

Council's decisions will be conveyed to PNAL and the Board will decide whether to adopt the draft in its current form or make further changes. The final SOI will then be provided to the Council and it will be made publicly available as required by the Local Government Act.



It is intended that PNAL's annual report for the year to 30 June 2020 will be considered by the Finance & Audit Committee at its September meeting.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No

The recommendations contribute to Goal 1: An Innovative and Growing City	
The recommendations contribute to the outcomes of the City Development Strategy	
The recommendations contribute to the achievement of action/actions in the Strategic Transport Plan	
The action is: Work with the airport company to ensure the airport's strategic intent aligns with the City's aspirations	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	The airport is a key strategic gateway to the City

ATTACHMENTS

1. Letter from Palmerston North Airport Ltd dated 11 May 2020 [↓](#) 
2. Updated Draft Statement of Intent 2020/21 for PNAL [↓](#) 



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11th May 2020

The Shareholder,
Palmerston North Airport Limited
C/- Ms Heather Shotter
Chief Executive Officer
Palmerston North City Council
Private Bag 11034
PALMERSTON NORTH

Dear Heather,

UPDATED STATEMENT OF INTENT 2020/21

Please find enclosed Palmerston North Airport Limited's (PNAL) updated Statement of Intent (SOI) for 2020/21.

Notwithstanding PNAL's medium term outlook which remains positive in view of the region's economic diversity and major planned infrastructure projects, in the short-term PNAL's commercial decisions must be guided by the current economic environment, and PNAL's financial strength.

PNAL faces unprecedented and significant uncertainty in relation to future aeronautical and non-aeronautical revenue streams in the budget year F20/21 and onwards. The impact of COVID-19 on PNAL's major customer Air New Zealand is wide-reaching across most areas of PNAL's activities, and a recovery profile is inherently difficult to forecast.

It is PNAL's intention to provide the Shareholder with a further update in Q2 on F20/21, the update may include forecasts for the F21/22 and F22/23 years.

This revised view on F20/21 performance compared with the 28th February SOI draft reflects an overarching goal of preserving capital, a prudent approach to lending, and related ratios. It means PNAL will be postponing or cancelling previously planned capital activities, with a focus of scarce resources on essential capex and opex only. It also reflects a conservative view on Air New Zealand's recovery profile, potential ongoing weakness in domestic travel, weakened retail, rental car and café business activity, and suppressed demand for property within Ruapehu Business Park.

At the time of this submission funding applications remain live for both the Terminal Development Plan (Provincial Growth Fund 2019, Shovel Ready April 2020), and a suite of airside and landside pavement upgrades. Should funding be received on a grant basis for the entire value of these projects then PNAL would be in a position to reconsider the inclusion of these projects in the F20/21 year.

In order to preserve capital PNAL advises that the dividend policy is suspended and that no dividend payment is planned in the 2020/21 financial year.

Key points relating to the F20/21 SOI follow;

- PNAL has retained its strategic framework – the Five C's.
- Passenger movements of 265,000 forecast in F20/21, with Air New Zealand recovering to 50% of 2018/19 passenger levels by CY2021 (665,000 28th Feb SOI submission).

- F20/21 Revenue of \$6.25 million (\$11.78 million 28th Feb SOI submission), material impacts on aeronautical revenue and revenue from ancillary sources including carparking.
- F20/21 total revised expenditure of \$4.62 million (\$5.33 million 28th Feb SOI submission), reflects relatively high level of fixed cost relating to regulatory compliance, and an operational focus on essential services.
- A Net Operating Loss \$0.8 million (Profit \$3.4 million 28th Feb SOI submission).
- Capex spend of \$4.7 million (\$13.4 million in 28th Feb SOI submission), includes spend on essential infrastructure only including airside pavements, seismic works.
- Year end debt \$14.9 million is within PNAL's existing Bank facility (\$21.9 million 28th Feb SOI submission).
- PNAL's investment in the \$15 million Terminal Development Plan (TDP) to accommodate the anticipated growth in passenger movements, to enhance airport user experience, and to ensure the airport is ready to respond to the possibility that passenger and hold bag screening are mandated at Tier 2 regional airports is on hold.
- Ongoing investment in Ruapehu Business Park including the completion of Stage 1 accommodating rental car operators and other businesses seeking an airport location, is on hold.
- Performance metrics updated to reflect financial and demand impacts.
- Environmental targets for the SOI period to be made explicit within the Carbon Management Plan.

We look forward to the opportunity to discuss this F20/21 SOI and plans further with you.

Yours sincerely



David Lanham
Chief Executive Officer



PALMERSTON NORTH AIRPORT LIMITED

STATEMENT OF INTENT

FOR THE YEAR ENDING 30 JUNE 2021

FINAL DRAFT FOR PNCC

11 May 2020

COVID UPDATE

INTRODUCTION

This Statement of Intent is presented by the Directors of Palmerston North Airport Limited ("PNAL") in accordance with section 64 of the Local Government Act 2002.

PNAL falls within the definitions of both a Council-Controlled Organisation and a Council-Controlled Trading Organisation pursuant to section 6 of the Local Government Act 2002 as a consequence of the Palmerston North City Council's shareholding.

The purpose of the Statement of Intent is to publicly declare the activities and intentions of PNAL, and provide an opportunity for shareholders to influence its direction.

It also provides a basis for accountability of Directors of PNAL to the Shareholder for performance. It is intended to comply with Schedule 8 of the Local Government Act, and be consistent with PNAL's Constitution.

The COVID-19 impact on PNAL's major scheduled passenger service customer Air New Zealand is wide-reaching across most areas of PNAL's activities, and a recovery profile is inherently difficult to forecast. Consequently, this revised Statement of Intent relates only to the F2020/21 financial year ending 30 June 2021. It is PNAL's intention to provide the Shareholder with a further update in Q2 of F20/21 which may include forecasts for the F21/22 and F22/23 years.

It has been prepared under the Public Benefit Entity (PBE) Standards based on International Public Sector Accounting (IPSAS) Standards.

Directors and team members of PNAL respectfully acknowledge local iwi Rangitāne and their customary relationship to this area. PNAL appreciates their manaakitanga shown towards the airport and all airport users. PNAL looks forward to further enriching its partnership with Rangitāne over the coming years.

CONTACT DETAILS

Contact details for both the Chairman and the Chief Executive are:

Palmerston North Airport Limited
First Floor, Terminal Building
Palmerston North Airport
Airport Drive
P O Box 4384
Palmerston North 4442

Phone: +64 6 351 4415
Email: info@pnairport.co.nz
Web: www.pnairport.co.nz

NATURE AND SCOPE OF ACTIVITIES

PNAL owns and operates Palmerston North Airport, having purchased the airport business on 30 January 1990.

Palmerston North Airport is a major regional airport and a key asset of both regional and national importance. It provides terminal and associated services for the air transport of passengers and freight from a catchment that encompasses the Ruapehu, Whanganui, Rangitikei, Manawatū, Horowhenua, Wairarapa, Tararua and Southern Hawkes Bay districts. These regions make up a population base of almost 1 million people that live within 2 hours drive of Palmerston North Airport.

In addition to its aeronautical activities PNAL's medium-term objectives include the recommencement of investment in Ruapehu Business Park, currently on hold due to the impact of COVID-19 on PNAL's financial position and access to capital. Given Palmerston North's position as a major regional logistics and distribution hub, Ruapehu Business Park provides small to medium sized operators direct access to the airport, North Eastern Industrial Zone, and major arterial routes.

STRATEGIC FRAMEWORK

The vision of being New Zealand's leading regional airport, while aspirational, continues to remain relevant.

In addition, a purpose statement has been developed "*Launching our communities into a promising future*". The statement reflects our true reason for being, that is to play our role in facilitating regional growth in social, economic and environmental terms. It also reflects the fact that we serve multiple communities whether they be defined in terms of geographical location, ethnicity, or socially, and include mana whenua, Rangitāne and other local iwi.

The Mission and Strategic Objectives have been combined and refreshed. The Four Cs – Compliance, Community, Customer and Commercial were updated and extended to include Culture. The Fifth C reflects PNAL's focus on our organisational culture, well-being and team work.

Our Vision

New Zealand's leading regional airport.

Our Purpose

Launching our communities into a promising future.

STRATEGIC OBJECTIVES – THE FIVE Cs

Customer

We will treat all Airport users as our customers.

- ➔ Our Airport customers are all Airport users; contractors, tenants, staff, passengers, meet and greeters.
- ➔ We will deliver a high quality and efficient regional airport experience.
- ➔ We will promote Palmerston North Airport as the gateway and lower North Island commercial hub to our 90-minute drive market.

Community

We will be a leader for regional prosperity including environmental guardianship and engagement with iwi and communities.

- ➔ We will be a guardian for the environment by operating in a sustainable manner in all of our business activities.
- ➔ We will be actively engaged with and supportive of the region's communities and iwi.
- ➔ We recognise our community is multi-cultural and will engage with all ethnic groups.
- ➔ We will facilitate regional economic development by growing passenger and airfreight volumes.

Culture

We are one-team working together to achieve a common goal.

- ➔ Our People are the key to our success. We will care for each other's well-being, and develop skills, commitment and resourcefulness across our team recognising achievement.
- ➔ Our one-team ethos is supported by five pillars of Leadership, Trust & Respect, Communication, Empowerment and Celebrating Success.

Compliance

We will maintain a safe and secure operation through a culture of ongoing compliance with all standards and regulations.

- ➔ The safety and security of all Airport users is our critical concern. We have a Zero Harm approach to those who visit and work within our airport community.
- ➔ We will continue to meet our regulatory and statutory obligations including Civil Aviation Rule Part 139, Resource Management Act, Palmerston North and Manawatu District Plans.

Commercial

We will operate a sustainable business to enable long-term success.

- ➔ We will maintain and develop core infrastructure that is business critical.
- ➔ We will diversify and grow revenue streams through a focus on both aeronautical and non-aeronautical revenue sources.
- ➔ We will operate a successful enterprise that enables us to distribute shareholder funds surplus to our on-going investment and operating requirements.

KEY OBJECTIVES – SUMMARY

COVID-19 Impacts / Provincial Growth Funding and Shovel Ready Applications

At the time of finalising this draft SOI PNAL faces significant uncertainty in relation to future aeronautical and non-aeronautical revenue streams in the budget year F20/21 and onwards. The impact of COVID-19 on PNAL's major customer Air New Zealand is wide-reaching across most areas of PNAL's activities, and a recovery profile is inherently difficult to forecast.

Notwithstanding PNAL's medium term outlook which remains positive in view of the regions economic diversity and major planned infrastructure projects including the KiwiRail freight hub, and NZTA's Te Ahu a Turanga: the Manawatū-Hawke's Bay highway and regional freight ring road, in the short-term PNAL's commercial decisions must be guided by the current economic environment, Air New Zealand's likely position, and PNAL's financial strength.

This revised view on F20/21 reflects an overarching goal of preserving capital, a prudent approach to lending, and related ratios, means PNAL will be postponing or cancelling previously planned capital activities. It also reflects a conservative view on Air New Zealand's recovery profile, potential ongoing weakness in domestic travel, weakened retail, rental car and café business activity, and suppressed demand for property within Ruapehu Business Park.

Funding applications remain live for both the Terminal Development Plan (Provincial Growth Fund 2019, Shovel ready April 2020), and a suite of airside and landside pavement upgrades. Should funding be received on a grant basis for the entire value of these projects then PNAL would be in a position to re-consider the inclusion of these projects in the F20/21 year.

Compliance

Ongoing compliance with CAA Part 139 and Zero harm objectives are our highest priorities.

The achievement of Safety Management System (SMS) certification in early 2020/21, and continued compliance with PNAL's SMS is the primary objective for the financial year.

The development of PNAL's second generation Asset Management Plan (AMP) will progress. The AMP will continue to assist PNAL to improve its management of critical assets located both airside and landside and to prioritise maintenance and capital investments.

A modest range of essential capital expenditure programmes are now planned for 2020/21 to ensure airside and landside infrastructure remains compliant with Part139 requirements, and also ensures PNAL's facilities meet our customers expectations. Capex plans include ongoing airside pavement rejuvenation programmes, and the acquisition of two Rescue Fire vehicles.

Planned capex on essential infrastructure is \$4.7 million in F20/21.

Terminal Development Plan / Customer

Sustainable air service development remains a key priority for PNAL, with the global impact of the COVID-19 pandemic highlighting the vulnerability of air services and the need to ensure route are sustainable in the medium to long-term. PNAL will work collaboratively with airline partners to sustainably recover both frequency and capacity on strategic routes.

The airport has experienced high passenger growth in the past five years and a further surge is anticipated as over \$4 billion of regional infrastructure project create additional passenger demand.

A revised passenger forecast of 265,000 passenger movements in F20/21 is 60% or 400,000 passenger movements below the previous SOI forecast of 665,000, and assumes Air New Zealand recovers to 50% of the prior year's capacity and passenger volumes by Calendar Year 2021.

While the significantly lower passenger forecasts reduce the pressure on PNAL's terminal (a major driver of terminal expansion plans), the likelihood of passenger and hold bag screening being mandated remains a very real likelihood in the medium term. Furthermore, a Jet strategy for Palmerston North – Auckland route may also remain a viable medium-term opportunity for Air New Zealand.

For these reasons the \$15 million Terminal Development Plan (TDP), while on hold, remains in PNAL's medium-term planning subject to appropriate funding being available.

Plans for the terminal – car park interface will continue to be progressed, albeit at a slower pace. The plan includes an enhanced experience for passengers picking up and dropping off within the General Car Park, and improved pedestrian safety.

Community

PNAL will continue modest support for communities by identifying opportunities to engage with local groups and iwi. Community engagement plans focussed on our geographical, ethnic and social communities will be refreshed. Engagement opportunities include a focus on our iwi, regional schools and the promotion of healthy lifestyles and environmental sustainability.

PNAL will continue to strive towards achieving carbon neutrality. Having received ACA Level 1 accreditation in 2019, PNAL is now focussed on achieving Level 2 certification. Energy, water consumption and waste to landfill reduction programmes have been established.

Culture

At the forefront of our organisational culture objective is a desire to further improve staff engagement levels.

Initiatives planned include the ongoing development of programmes associated with PNAL's One-team ethos as we continue to build team work and communications within our rapidly expanding team.

A well-being programme, that supports the health and well-being of PNAL team members will have been introduced by the commencement of the financial year.

Commercial

Commercialisation of Ruapehu Business Park in line with PNAL's Property Masterplan has been deferred beyond F20/21 on the basis of its capital-intensive nature and likely suppressed demand for sites within the park.

Ruapehu Business Park while on hold, remains in PNAL's medium-term planning subject to appropriate funding being available.

Performance Metric targets 12 Months to June

PERFORMANCE METRIC		2019/20 Forecast	2020/21 Forecast
I.	A ratio of surplus before interest/tax/depreciation to total assets.	4%	2%
II.	A ratio of net surplus after tax to consolidated shareholders' funds inclusive of revaluation reserve.	1%	-1%
III.	To maintain a ratio of consolidated shareholders funds to total assets of at least 40%	78%	74%
IV.	To maintain an interest coverage ratio of surplus before interest to interest, of at least 2.25 as per BNZ Loan Covenants.*	3.5	-1.6
V.	To maintain a tangible net worth (total tangible assets after revaluations less total liabilities) above \$50 million dollars.	\$68.4m	\$67.6m
VI.	Maintain a Net Promoter score of 55 or above	50	55
VII.	Total passenger movements	473,500	265,500
VIII.	Maintain CAA Part 139 certification	Maintain	Maintain
IX.	Zero lost time injuries.	Zero	Zero
X.	Roadmap to carbon neutrality	Complete	Implement
XI.	Safety Management System audited and certified^	Develop	Certify

* Discussions ongoing with BNZ.

^ Certification deferred to September 2020.

GOVERNANCE

The Board's approach to governance of PNAL is to preserve and enhance Shareholder value.

The Board is responsible for the proper direction and control of PNAL's activities and is accountable to the shareholder within the strategic framework set out in this Statement of Intent, PNAL's Constitution, and the provisions of the Local Government Act 2002, and the Companies Act 1993.

The Board comprises five Directors appointed by the Shareholder in accordance with PNAL's Constitution.

Fees for the Board are reviewed annually. The Board recommends fee levels to the Shareholder based on commercial or near-commercial rates.

PNAL has an Audit & Risk Committee comprised of three directors of the PNAL Board. The Committee is responsible for overseeing the financial accounting, financial statement and audit activities of PNAL including the adequacy and effectiveness of internal controls, external auditor performance, and financial and accounting policies.

SHAREHOLDERS EQUITY IN PNAL

PNAL's land, building, and infrastructure assets were revalued as at 30 June 2019, in line with PNAL's three-yearly asset revaluation policy. Shareholder equity as shown in the Statement of Financial Position as at 30 June 2019 is \$67.5 million. The Directors have requested that revaluations be undertaken at 30 June 2020 given current economic conditions and potential material impacts on valuations.

The ratio of consolidated shareholder's equity to total assets will be maintained at no less than 40%. For the purposes of this ratio, 'consolidated shareholder's equity' is total shareholder funds inclusive of retained earnings and revaluation surplus, and 'total assets' are current assets plus net book value of fixed assets plus future tax benefit (if any).

INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

The Shareholder will receive:

- ➔ An Annual Report including audited financial statements within 3 months of balance date.
- ➔ A summary of PNAL's achievements of the Key Objectives and its performance against the metric targets as outlined in this SOI.
- ➔ An Interim Report including non-audited financial statements within 2 months of the end of the first half of the financial year.
- ➔ A Statement of Intent submitted for shareholder consideration in accordance with the Local Government Act 2002.
- ➔ Other interim reports as agreed with the Shareholder.

Timeframes for the Interim and Annual Reports are legislative maxima. However, PNAL will meet the reporting and governance requirements of the Shareholder.

ACCOUNTING POLICIES

The accounting policies adopted by PNAL are consistent with New Zealand's Financial Reporting Standards, with PNAL designated as a Public Benefit Entity (PBE) for financial reporting purposes.

The policies are included in PNAL's Annual Report which is available on PNAL's website: www.pnairport.co.nz/corporate/corporate-profile.

FORECAST FINANCIAL STATEMENTS

The financial information contained in the SOI is a forecast for the purposes of the PBE financial reporting standard (FRS) 42. This information may not be appropriate for purposes other than those described. It has been prepared on the basis of assumptions as to future events that PNAL reasonably expects to occur, associated with the actions it reasonably expects to take, as at the date the forecast was prepared. The actual results are likely to vary from the information presented and may vary materially depending on the circumstances that arise during the period.

COMPENSATION SOUGHT FROM THE SHAREHOLDER

PNAL acknowledges that the Palmerston North City Council holds shares in PNAL for strategic reasons and that PNAL needs to facilitate the development and promotion of both aeronautical and complimentary non-aeronautical business activities. As well as direct benefit to PNAL this impacts through to the economic development of the city and the wider region.

At the request of the shareholder, PNAL may undertake activities that are not consistent with normal commercial objectives subject to the Shareholder providing a specific subsidy to meet the full commercial cost for providing such activities.

DIVIDEND POLICY

PNAL faces significant uncertainty in relation to future aeronautical and non-aeronautical revenue streams in the budget year F20/21 and onwards. In order to preserve capital PNAL advises that the dividend policy is suspended and that no dividend payment is planned in the 2020/21 financial year.

PALMERSTON NORTH AIRPORT LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
For the 12 Months to 30 June

	<u>2019/20</u> <u>Forecast</u>	<u>2020/21</u> <u>Budget</u>
REVENUE	8,935,439	6,253,088
<i>TOTAL OPERATING EXPENDITURE</i>	2,455,363	2,480,544
<i>TOTAL ADMINISTRATIVE EXPENDITURE</i>	2,676,371	2,142,250
TOTAL EXPENDITURE	5,131,735	4,622,794
EBITDAE	3,803,705	1,630,295
EXTRAORDINARY ITEMS *	21,774	50,000
EBITDA	3,781,931	1,580,295
DEPRECIATION	1,954,954	2,075,421
FINANCE COSTS	519,390	309,235
(PROFIT)/LOSS ON SALE OF ASSETS	(993)	0
SURPLUS BEFORE TAXATION	1,308,580	(804,361)
INCOME TAX	354,874	0
NET OPERATING SURPLUS	953,705	(804,361)

* The Extraordinary Items are soil, sediment, surface and ground water sampling for PFAS at Palmerston North Airport and adjacent sites including the Mangaone Stream.

PALMERSTON NORTH AIRPORT LIMITED
STATEMENT OF FINANCIAL POSITION
For the 12 months to 30 June

	<u>2019/20</u>	<u>2020/21</u>
	<u>Forecast</u>	<u>Budget</u>
<u>CURRENT ASSETS</u>		
BANK & SHORT TERM DEPOSITS	50,000	50,000
TRADE DEBTORS	441,640	512,487
DOUBTFUL DEBT PROVISION	(4,416)	(5,125)
ACCRUED INCOME	1,018	1,173
PREPAID EXPENDITURE	(0)	0
ASSETS HELD FOR SALE	0	0
TOTAL CURRENT ASSETS	488,241	558,536
<u>CURRENT LIABILITIES</u>		
TRADE CREDITORS	248,182	418,335
INCOME RECEIVED IN ADVANCE	50,183	85,414
ACCRUED EXPENDITURE	83,991	89,980
TAXATION	(195,230)	(541,654)
OTHER PROVISIONS	325,000	325,000
SHORT TERM LOAN	0	0
TOTAL CURRENT LIABILITIES	512,126	377,076
WORKING CAPITAL	(23,885)	181,460
<u>NON CURRENT ASSETS</u>		
LAND	32,004,350	32,004,350
BUILDINGS	13,503,837	13,589,760
INFRASTRUCTURAL - LAND	7,525,020	7,728,290
INFRASTRUCTURAL - AIR	26,289,857	27,774,541
PLANT & EQUIPMENT	1,429,990	1,590,105
FURNITURE & FITTINGS	103,481	102,845
COMPUTERS	75,705	59,237
FIRE APPLIANCES	0	725,805
INVESTMENT PROPERTY	6,813,354	6,813,354
INTANGIBLE ASSETS	7,788	4,673
TOTAL NON CURRENT ASSETS	87,753,382	90,392,962
<u>NON CURRENT LIABILITIES</u>		
TERM LOAN	11,239,091	14,888,376
DEFERRED TAX	8,056,032	8,056,032
TOTAL NON CURRENT LIABILITIES	19,295,123	22,944,408
NET ASSETS	68,434,374	67,630,013
<u>SHAREHOLDERS' FUNDS</u>		
PAID UP SHARE CAPITAL	9,380,400	9,380,400
ASSET REVALUATION RESERVE	36,590,833	36,590,833
RETAINED EARNINGS	21,509,436	22,463,141
SHAREHOLDERS DIVIDEND	0	0
CURRENT YEAR SURPLUS	953,705	(804,361)
TOTAL SHAREHOLDERS' FUNDS	68,434,374	67,630,013

PALMERSTON NORTH AIRPORT LIMITED
STATEMENT OF CHANGES IN EQUITY
For the 12 months to 30 June

	<u>2019/20</u> <u>Forecast</u>	<u>2020/21</u> <u>Budget</u>
Equity at the beginning of the year	67,480,669	68,434,375
Asset Revaluation Reserve Movement	0	0
Total Comprehensive (Loss)/Income	953,705	(804,361)
Dividends Paid	0	0
Equity at the end of the year	68,434,375	67,630,014

PALMERSTON NORTH AIRPORT LIMITED
STATEMENT OF CASHFLOWS
For the 12 Months to 30 June

	<u>2019/20</u>	<u>2020/21</u>
	<u>Forecast</u>	<u>Budget</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
<i>Cash Was Provided From</i>		
Receipts from Customers	9,533,071	6,182,794
Tax Refund	0	0
Interest Received	2,906	0
<i>Cash Was Disbursed To</i>		
Payment to Suppliers	6,156,686	4,461,420
Payment of Tax	905,459	346,424
Interest Payments	519,390	309,235
<i>Net Cash Flow From Operating Activities</i>	<u>1,954,442</u>	<u>1,065,716</u>
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
<i>Cash Was Provided From</i>		
Sale of Fixed Assets	993	0
<i>Cash Was Applied To</i>		
Land and Developments	0	0
Buildings	365,422	545,000
Infrastructure - Land	46,398	620,000
Infrastructure - Air	176,066	2,285,000
Plant and Equipment	295,928	455,000
Investment Property	1,335	0
Furniture and Fittings	22,036	20,000
Computers	30,552	15,000
Fire Appliances	0	775,000
Intangible Assets	(1,980)	(0)
PNCC Contribution	0	0
<i>Net Cash Flow From Investing Activities</i>	<u>(904,406)</u>	<u>(4,715,000)</u>
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
<i>Cash Was Provided From</i>		
Term Loan Draw Downs	1,449,749	3,659,584
<i>Cash Was Applied To</i>		
Term Loan Repayments and Dividend Payment	2,576,710	10,299
<i>Net Cash Flow From Financing Activities</i>	<u>(1,126,961)</u>	<u>3,649,285</u>
NET INCREASE/(DECREASE) IN CASH HELD	(76,925)	1
Opening Cash Balance	126,924	49,999
Closing Cash Balance	<u>49,999</u>	<u>50,000</u>

PALMERSTON NORTH AIRPORT LIMITED
CAPITAL EXPENDITURE PROGRAMME
For the 12 months to 30 June

	<u>2019/20</u>	<u>2020/21</u>
	<u>Forecast</u>	<u>Budget</u>
CAPITAL EXPENDITURE PROGRAMME		
LAND	0	0
BUILDINGS	417,609	545,000
INFRASTRUCTURAL - LAND	361,558	620,000
INFRASTRUCTURAL - AIR	125,603	2,285,000
PLANT & EQUIPMENT	325,609	455,000
FURNITURE & FITTINGS	20,812	20,000
COMPUTERS	38,293	15,000
FIRE APPLIANCES	0	775,000
INVESTMENT PROPERTY	0	0
INTANGIBLE ASSETS	0	0
	<u>1,289,484</u>	<u>4,715,000</u>
CAPITAL SALES PROGRAMME		
Total Sales - RBP	<u>0</u>	<u>0</u>

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 17 June 2020

TITLE: Fees and Charges - Confirmation Following Public Consultation

PRESENTED BY: Steve Paterson, Strategy Manager - Finance

APPROVED BY: Stuart McKinnon, Chief Financial Officer

RECOMMENDATION(S) TO COUNCIL

1. That the submission relating to planning fees, as attached in Appendix A of the memorandum titled 'Fees and Charges – Confirmation Following Public Consultation' presented to the Finance & Audit Committee on 17 June 2020, be received.
2. That the fees and charges for Planning & Miscellaneous Services, as scheduled in Appendix B of the memorandum titled 'Fees and Charges – Confirmation Following Public Consultation' presented to the Finance & Audit Committee on 17 June 2020, be approved, effective from 1 July 2020.
3. That the fees and charges for Trade Waste Services, as scheduled in Appendix C of the memorandum titled 'Fees and Charges – Confirmation Following Public Consultation', presented to the Finance & Audit Committee on 17 June 2020, be approved, effective from 1 July 2020.

1. ISSUE

At its meeting on 25 March 2020 the Council approved fees and charges for planning and miscellaneous services and for trade waste services, all subject to public consultation. This memo addresses submissions received and recommends confirmation of the fees and charges as attached.

2. BACKGROUND

2.1 Previous Council Decisions

On 25 March Council adopted recommendations from the 18 March meeting of the Finance and Audit Committee. These approved a schedule of fees and charges for planning and miscellaneous services and trade waste services subject to public consultation.

2.2 Public Consultation

Public consultation was carried out over the period from 1 April to 4 May 2020. It involved direct written communication with planning consultants and trade waste users as well as public notices in local media and on Council's website.

One submission was received in relation to planning fees. A copy is attached as Appendix A. No submissions were received in relation to trade waste charges.

In his submission Mr Fugle mentions that he wished to be heard and he was provided with a number of opportunities to do this but chose not to do so.

His submission contends in summary that the fees and charges proposed have been set in a manner that does not comply with the requirements of the Local Government and Resource Management Acts as the levels proposed exceed what would be necessary to recover reasonable costs.

The Council's Revenue & Financing Policy recognises that some services provided by planning staff (planning advice, information, consent monitoring and enforcement) are of a public good nature and as a consequence these are funded from general rates. Those services related to resource consent processing are private in nature and the policy expectation is these will be funded from fees and charges. Fees and charges are set at levels necessary to cover these costs and not at levels with the objective of making a profit. Time spent on processing each consent is recorded and the charge made reflects this.

No changes are recommended to the fees provisionally adopted at the March meeting as a consequence of the public consultation process.

3. NEXT STEPS




Once approved the fees and charges will be published on Council's website and in all relevant fees and charges brochures and implemented from 1 July 2020.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	Yes
Is there funding in the current Annual Plan for these actions?	Yes

Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
The recommendations contribute to the achievement of action/actions in Not Applicable	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Setting fees and charges as proposed is consistent with the Council's Revenue & Financing Policy and therefore with the strategic direction of the Council.

ATTACHMENTS

1. Appendix A - Submission from Les Fugle [↓](#) 
2. Appendix B - Planning & Miscellaneous fees & charges [↓](#) 
3. Appendix C - Trade Waste fees & charges [↓](#) 

Merle Lavin

From: Submission
Subject: FW: Planning fees & charges submission

Democracy & Governance Manager
 Palmerston North City Council
 Price Bag 11-034
 Palmerston North 4442

Submission@pncc.govt.nz

Re - 2020 planning fees and charges.

[1] It is poor judgement for Council to contemplate an increase in fees and charges given the financial crisis the district is experiencing, that said:

[2] Pursuant to the LGA 2002 and the RMA 1991 the fees and charges fixed are not in accordance with those Act's.

[3] RMA 1991 s36AAA sets the criteria a local authority must have regard to when fixing charges, subsection (2) reads "The sole purpose of a charge is to recover the reasonable costs incurred by the local authority in respect of the activity to which the charge relates". Parliament's intent is further highlighted by the LGA 2002 s150(4) that reads "The fees prescribed under subsection (1) must not provide for the local authority to recover more than the reasonable cost incurred by the local authority for the matter for which the fee is charged".

[4] Aforesaid acts are specific. Therefore the core question is whether the charge/fee Council has fixed, and proposed, are restricted to the benefit the applicant receives as oppose to the community at large, and such are reasonable.

[5] While neither RMA nor LGA Act defines the meaning of reasonable the meaning in this case must be that the fixing of the activity fee or charge does not amount to profiteering.

[6] The processing of a activity encompasses little or none other than labour.

[7] Time records record the actual duration an officer expends on the application while the officer's salary is capable of converting to a hourly base rate.

[8] Council current fees and charges and that proposed exceed the officer's hourly rate and that of the time required to process an activity, therefore, are unreasonable. It would be reasonable to apply a 10% surcharge to the labour bill to cover administration overheads.

I wish to be heard

Les Fugle
 Dated 03/04/2020

Palmerston North City Council		Appendix B	
Planning Services		Fees & Charges	
Planning services charges listed below are imposed under the Resource Management Act 1991 to recover the cost to Palmerston North City Council for processing applications, monitoring consents and for Notice of Requirements Designations and Private District Plan Changes.			
Section 36 of the Resource Management Act enables the Council to charge additional fees to recover actual and reasonable costs when the fixed fee is inadequate. This means that applications that exceed standard processing times or which involve a hearing may incur additional charges. Consultants and solicitors fees associated with all work types are also included. We may also refund part of the fee if the work required to process the application is minimal.			
The deposits specified in the tables below are required up front and no action will be taken in accordance with section 36AAB(2) until paid. That does not mean that the Council is required to complete the activity upon payment of the deposit. The costs incurred will be monitored and additional amounts up to the total of the fixed charge may be required. Then additional charges may also be required before completion of the task if the fixed charges are inadequate to cover the Council's actual and reasonable costs.			
All fees and charges shown are GST inclusive unless indicated			
Fixed Charges			
Charges payable by applicants for resource consents, for the carrying out by the local authority of its functions in relation to the receiving, processing and granting of resource consents (including certificates of compliance [and existing use certificates] (section 36(1)(b))			
Activity Type	Fixed Charge from 1 Jul 2019	Fixed Charge from 1 Jul 2020	Deposit from 1 Jul 2020
Instant resource consents	\$ 215	\$ 215	\$ 215
Boundary Activity	\$ 270	\$ 300	\$ 300
Temporary or Marginal Breaches	\$ 270	\$ 300	\$ 300
Non notified land use consents (minor, see note (d) (b))	\$ 1,000	\$ 1,100	\$ 800
Non notified land use consents (other than minor)	\$ 2,550	\$ 3,400	\$ 2,500
Limited notified land use consents	\$ 11,150	\$ 14,000	\$ 10,000
Notified land use consents (full notification)	\$ 16,800	\$ 20,000	\$ 15,000
Non notified subdivision consents (Controlled Activity)	\$ 1,700	\$ 2,100	\$ 1,600
Non notified subdivision consents (Discretionary Restricted)	\$ 2,300	\$ 3,000	\$ 2,200
Non notified subdivision consents (other)	\$ 4,300	\$ 5,000	\$ 3,600
Notified subdivision consents for up to and including 20 lots in total (full and limited notification)	\$ 22,300	\$ 22,300	\$ 16,700
Notified subdivision consents for more than 20 lots (full and limited notification)	\$ 39,000	\$ 39,000	\$ 29,000
Certificates of compliance	\$ 460	\$ 460	\$ 345
Town Planning Certificate (Alcohol)	\$ 400	\$ 400	\$ 300
Existing use certificates	\$ 890	\$ 890	\$ 660
Outline Planning Approval	\$ 1,110	\$ 1,110	\$ 840
Waiver for requirement for Outline Plan	\$ 380	\$ 380	\$ 280
Notified notice of requirements, heritage orders, designation alterations.	\$ 16,800	\$ 16,800	\$ 12,500
Non notified notice of requirements, heritage order, designation alterations	\$ 2,550	\$ 2,550	\$ 1,900
District Plan changes	\$ 26,000	\$ 26,000	\$ 20,000

Charges payable by holders of resource consents, for the carrying out by the local authority of its functions in relation to the administration, monitoring and supervision of resource consents (including certificates of compliance [and existing use certificates], and for carrying out its resource management functions under section 35. (section 36(1)(c))

Activity Type	Fixed Charge from 1 Jul 2019	Fixed Charge from 1 Jul 2020	Deposit from 1 Jul 2020
Monitoring of non notified resource consents	\$330 per consent for inspections and monitoring (2 hours)	\$330 per consent for inspections and monitoring (2 hours)	
Monitoring of notified resource consents	\$660 per consent for inspections and monitoring (4 hours)	\$660 per consent for inspections and monitoring (4 hours)	
Variations to conditions (section 127 and 221 - subdivision and land use)	\$ 1,350	\$ 1,350	\$ 1,000
Extensions of time (section 125)	\$ 1,100	\$ 1,100	\$ 850
Cancellation of building line restrictions (under Local Government Act 1974)	\$ 1,100	\$ 1,100	\$ 850
Adjustment of easements	\$ 1,100	\$ 1,100	\$ 850
Subdivision certificates (including section 223, 224)	\$ 380	\$ 380	\$ 285
Subdivision certificates (section 226)	\$ 1,350	\$ 1,350	\$ 1,000
Subdivision inspections for up to and including 5 lots, or staged, in total	\$ 800	\$ 800	\$ 600
Subdivision inspections for between 6 lots and up to and including 10 lots, or staged, in total	\$ 1,600	\$ 1,600	\$ 1,200
Subdivision inspections for between 11 lots and up to and including 20 lots, or staged, in total	\$ 3,200	\$ 3,200	\$ 2,400
Subdivision inspections for more than 20 lots un-staged	\$ 4,800	\$ 4,800	\$ 3,600
Removal of designations	\$ 265	\$ 265	\$ 265
Purchase of District Plan & District Plan updates	At cost	At cost	At cost

Charges payable by holders of resource consents, for the carrying out by the local authority of its functions in relation to reviewing consent conditions if:

- 1 the review is carried out at the request of the consent holder;
- 2 the review is carried out under section 128(1)(a);
- 3 the review is carried out under section 128(1)(c)

Activity Type	Fixed Charge from 1 Jul 2019	Fixed Charge from 1 Jul 2020	Deposit from 1 Jul 2020
Review at the request of the consent holder	\$ 1,670	\$ 1,670	\$ 1,250
Review pursuant to section 128(1)(a)	\$ 1,670	\$ 1,670	\$ 1,250
Review pursuant to section 128(1)(c)	\$ 5,000	\$ 5,000	\$ 3,750

Charges for supply of documents payable by the person requesting the document. (Section 36(1)(f))			
Activity Type	Fixed Charge from 1 Jul 2019	Fixed Charge from 1 Jul 2020	Deposit from 1 Jul 2020
Replacement copies of certificates	\$ 110	\$ 110	
Replacement copies of resource consents	At cost of officer's time per hour + disbursements	At cost of officer's time per hour + disbursements	
Other documents	\$1 per page	\$1 per page	
Additional copies of order papers	\$ 40	\$ 40	
Notes:			
(a) The number of lots in a subdivision includes the balance lot			
(b) The fixed charges do not include other charges that may be imposed under the Resource Management Act or other legislation such as:			
(i) Additional charges (section 36(5));			
(ii) Bonds;			
(iii) Monitoring and supervision charges expressly provided for in a resource consent;			
(iv) Development contributions			
(c) If the fixed charges are not sufficient to meet the Council's actual and reasonable costs then additional charges may be payable. Note this may include but not be limited to charges for consultants, solicitors, independent Commissioners and Council officers' time.			
(d) Fees Methodology:			
(a) Land use and subdivision consents have been based on an average costs of consents issued. Deposits have generally been set at 75% of the average unless the difference between the deposit and the total of actual and reasonable costs is of such a minor nature it is not cost effective to recoup the difference from an applicant. In such a case the deposit is set at the same value as the Fixed Charge. In terms of the Fixed Charge they are set at 100% of the average fee. Final charges will be charged at staff hourly rates, technical officer or consultant time and any standard fees applicable.			
(b) Minor non notified land use consents usually applies to:			
(i) Applications for a dwelling or a minor dwelling, dependent dwellings, accessory buildings, home occupations and access in the residential and rural zones.			
(ii) Applications for signage in the business and industrial zones.			
(c) Monitoring and inspection charges are based on staff hourly rates to complete. For non notified resource consents the inspection fee of \$330 is for 2 hours of inspections by the Monitoring Officer. For notified consents the inspection fee of \$660 is for 4 hours of inspections by the Monitoring Officer. In terms of dealing with compliance issues this is based on the actual time spent by the Monitoring Officer based on the hourly rate for the Monitoring Officer.			

Other Charges			
Advisory Service - Applies where staff provide information in response to customer queries		For queries received by Front of House staff - no cost for an individual enquiry up to 30min (whether in person or in writing), where an individual enquiry is for a period longer than 30min, charged at cost based on the relevant officer's hourly rate For any queries received by staff not based at Front of House - to be charged at cost based on relevant officer's hourly rate	
Pre lodgement meetings; Applies where staff vet information prior to the lodgement of an application		Charged at the relevant officer's hourly rate	
Objections considered by a Hearings Commissioner (section 36(1)(af))		At cost plus disbursements of the Hearings Commissioner	
Consultant Charges			
Work Type		Rate per hour from 1 Jul 2019	Rate per hour from 1 Jul 2020
Consultants and Solicitors fees associated with all work types, including the processing of a consent or certificate (including specialist technical or legal advice where a consent involves creating legal instruments) and new notice of requirements, heritage orders, designation alterations, removal of designations and District Plan changes.		At cost plus disbursements	
Charges for hearings		Rate per hour from 1 Jul 2019	Rate per hour from 1 Jul 2020
Hearings for all applications, designations, notice of requirements private District Plan changes, development contributions and remittance fees and associated work by relevant staff.		At cost of officers time per hour as per rates listed below	
Production of Order Papers		At cost plus disbursements	
The following hourly rates for Council Officers and Decision Makers will be charged for the processing of consents, hearings, designations etc that do not have a fixed charge or where the fixed charge is inadequate to cover the actual and reasonable costs of the Council.			
Council Officer's Hourly Rates		Rate per hour from 1 Jul 2019	Rate per hour from 1 Jul 2020
Planning Officers/Graduate Planning Officer		\$ 184	\$ 190
Monitoring and Enforcement Officer		\$ 165	\$ 170
Senior Planner		\$ 197	\$ 203
Head of Planning Services		\$ 215	\$ 221
City Planning Manager		\$ 215	\$ 221
Senior Business Support officer		\$ 160	\$ 165
Administration/Committee Administration Staff		\$ 114	\$ 117
Technical and Professional Staff from all other Council units		\$ 184	\$ 190
General Manager		\$ 234	\$ 241
Commissioner		At cost plus disbursements	
Hearing Committee Chair and Members		At cost (\$100 per hour for Chair & \$80 per hour for members) plus disbursements	

Palmerston North City Council		
Miscellaneous Services		Fees & Charges
The miscellaneous charges detailed below are imposed under the Local Government Act 2002. They seek to recover the cost to Palmerston North City Council for approvals, authorities and inspections not covered by the primary legislation under which the Council operates. <i>(These being the Resource Management Act 1991, Building Act 2004, Dog Control Act 1996, Impounding Act 1955, Food Act 2014 and Land Transport Act 1998).</i>		
All fees and charges shown are GST inclusive		
Fixed Fees		
Payable when request for service/information is submitted to Council. No additional charges will be applied.		
Work Type	Fixed Fee from 1 Jul 2019	Fixed Fee from 1 Jul 2020
LIMS		
Land Information Memorandum	\$ 455	\$ 455
GIS		
GIS Inputting (per consent)	\$ 180	\$ 180
Street Numbering		
Request for street number changes	\$ 375	\$ 385
Noise		
Return of seized sound equipment:		
- for first offence	\$ 173	\$ 178
- for second or third offence	\$ 286	\$ 414
- for fourth or subsequent offence	\$ 400	\$ 414
Disconnection of alarms under the Resource Management Act		Recovery of actual cost incurred by Council, including staff time and contractor costs
Food Act 2014 Food Control Plan Auditing (including site visit, reporting and general administration)		
Processing an application under the Food Act 2014 for registration of a Food Control Plan or a National Programme	\$ 268	\$ 276
Processing an application under the Food Act 2014 for renewal of registration of a Food Control Plan or a National Programme	\$ 268	\$ 276
Verification -Initial site visit (including reporting)(hourly rate)	\$ 166	\$ 171
Verification - Follow-up visits (including reporting) (hourly rate)	\$ 166	\$ 171

Deposits		
Charges for all services are based on the actual costs incurred by the Council. Any deposit specified in the table below are payable before the Council commences the service. The total charge for the service will be determined upon completion of the service, on the basis of the time spent by the relevant officer undertaking the work specified at that officer's hourly rate.		
Work Type	Deposit from 1 Jul 2019	Deposit from 1 Jul 2020
Right of Way Approval		
Right of Way Approval- section 348	\$ 500	\$ 500
Certificates		
Certificate of Compliance Building Code - Alcohol	\$103 Deposit, then billed at actual cost of officer's time per hour	\$103 Deposit, then billed at actual cost of officer's time per hour
Gambling		
Gambling venue consent	\$445 plus officer's hours after 3 hours	\$445 plus officer's hours after 3 hours

Other Charges		
These fees may be applicable to a consent or may be applied as a single charge. Note that photocopying and scanning charges includes both material and labour costs associated with such work.		
Work Type	Charge from 1 Jul 2019	Charge from 1 Jul 2020
Photocopying / Copy of scanned documents		
A0, A1, A2	\$10/page	\$10/page
A3	\$0.45/page	\$0.45/page
A4	\$0.35/page	\$0.35/page
Double sided A3	\$0.55/sheet	\$0.55/sheet
Double sided A4	\$0.45/sheet	\$0.45/sheet
For colour copies		
Single sided	Additional charge of \$1.70/page	Additional charge of \$1.70/page
Double sided	Additional charge of \$3.80/sheet	Additional charge of \$3.80/sheet
Request for Property Information		
Copy of Property Information	At cost of officer's time per hour plus disbursements	At cost of officer's time per hour plus disbursements
Certificate of Title	\$ 26	\$ 27
Swimming Pools		
Swimming Pool initial compliance inspection	\$ 193	\$ 199
Swimming Pool reinspections (second and subsequent inspections)	\$193 per inspection	\$199 per inspection
Vehicle Crossings (cost per inspection)		
T1; Inspect existing vehicle crossing	\$ 210	\$ 216
T2; New vehicle crossing	\$ 388	\$ 400
T3; Alter an existing vehicle crossing	\$ 210	\$ 216
Over-weight Vehicle Permit (note 4)		
Application for each single, multiple trip or linked permit *	\$ 18.18	\$ 18.18
Application for each continuous, high-productivity motor vehicle, or specialist vehicle permit *	\$ 54.55	\$ 54.55
Application for each renewal of each continuous permit *	\$ 9.09	\$ 9.09
* Additional charge for each of the above permits where less than 3 working days available for processing	\$ 9.09	\$ 9.09
Asset Bonds		
Council Asset Bond (payable for each building consent above the value of \$100,000)	\$1,000 (no GST)	\$1,000 (no GST)
Administration & processing fee		\$ 190
Overgrown Trees/Shrubbery		
Removal of Overgrown Trees/Shrubbery	Recovery of actual cost incurred by Council, including staff time and contractor costs	Recovery of actual cost incurred by Council, including staff time and contractor costs

Charges for Council Officers and Decision Makers		
The following hourly rates will be charged for those approvals, authorities and inspections listed in this schedule that are not listed as a fixed fee		
Council Officer's Hourly Rates (per hour)	Charge from 1 Jul 2019	Charge from 1 Jul 2020
General Manager	\$ 234	\$ 241
Division Head	\$ 215	\$ 221
Senior Planner	\$ 197	\$ 203
Planning Officers/Graduate Planning Officers	\$ 183	\$ 190
Monitoring and Enforcement Officer	\$ 165	\$ 170
Team Leader - Building	\$ 202	\$ 208
Senior Plumbing and Drainage Officer and Advanced Building Officer	\$ 202	\$ 208
Building Officer	\$ 183	\$ 190
Principal Environmental Health Officer	\$ 199	\$ 205
Environmental Health Officer	\$ 178	\$ 183
Environmental Health Officer Cadet	\$ 161	\$ 166
Senior Business Support Officer	\$ 160	\$ 165
Administration/ Committee Administration Staff	\$ 114	\$ 117
Technical and Professional Staff from all other Council Units	\$ 183	\$ 190
Commissioner	At cost plus disbursements	At cost plus disbursements
Hearings Committee Chair and Members	At cost (\$100 per hour for Chair & \$80 per hour for members) plus disbursements	At cost (\$100 per hour for Chair & \$80 per hour for members) plus disbursements
Notes:		
1 The hourly rates for Council Officers noted above will be charged for the work type listed above which do not have a fixed fee		
2 The hourly rates for the services which are listed in the above tables are for those staff listed in the table headed "Charges for Council Staff"		
3 Where it states above the fee per hour, please note this should be read in full as "fee per hour or part thereof".		
4 Over-weight vehicle permit fees are set by the Land Transport (Certification & Other Fees) Regulations 2014		

Palmerston North City Council

Appendix C

Trade Waste Charges

Pursuant to the Palmerston North Trade Waste Bylaw 2015

Category		2019/2020 Charge (GST Incl)	2020/2021 Charge (GST Incl)	Description
Administrative Charges (Table 2 – Schedule 1)				
2.2	Compliance Monitoring - Conditional Consents	\$360 per annum	\$36 per sampling & analysis	Fee to recover inspection and monitoring costs of trade premises
2.2	Compliance Monitoring – Grease Trap Sampling Fee	\$115 per inspection	\$120 per inspection	Fee to recover inspection and sampling costs of grease traps
2.4	Trade Waste Application Fee	\$1,600	\$1,600	Fee to recover cost of processing new or renewal applications
2.5	Consent Processing Fee	\$195 per hour	\$195 per hour	Fee to recover cost of processing extraordinary applications
2.6	Re-inspection Fee	\$115 per inspection	\$120 per inspection	Fee to recover cost of re-inspections of individual trade premises
2.9	Trade Waste Charge - Permitted Consents for Grease traps/Oil interceptors/Amalgam traps	\$115 per annum	\$120 per annum	Charge to recover administration and monitoring cost of grease traps/ oil interceptors & other treatment devices/ amalgam traps at dental surgeries
2.9	All other premises (conditional) plus trade waste charges	\$1,160 per annum	\$1,200 per annum	Charge to recover administration and monitoring cost of trade waste consents
2.9	Annual Trade Waste database Licence Fee		\$345 per annum	Charge for access to on-line database
Trade Waste Charges (Table 3 – Schedule 1)				
3.1	Volume Charge (\$/m ³)	\$0.4122/m ³	\$0.502/m³	Charge to recover sewerage collection costs
3.3	Suspended Solids Charge (SS) (\$/kg)	\$0.7113/kg SS	\$0.825/kg SS	Charge to recover suspended solids treatment costs
3.4	Organic Loading Charge (BOD) (\$/kg)	\$0.5737/kg BOD	\$0.7096/kg BOD	Charge to recover organic loading treatment costs
3.6	Phosphorous Charge (DRP) (\$/kg)	\$38.628/kg DRP	\$43.1707/kg DRP	Charge to recover phosphorous (DRP) removal costs
Tankered Waste Charges (Table 4 – Schedule 1)				
4.1	Tankered Wastes Charge	\$40/1,000 litres	\$45/1,000 litres	Charge to recover administration, receiving and treatment costs of tankered wastes

MEMORANDUM

TO: Finance & Audit Committee

MEETING DATE: 17 June 2020

TITLE: Public Rental Housing within Council's Whakarongo Subdivision

PRESENTED BY: Bryce Hosking, Manager - Property

APPROVED BY: Tom Williams, Chief Infrastructure Officer

RECOMMENDATION(S) TO FINANCE & AUDIT COMMITTEE

1. That the memorandum titled 'Public Rental Housing within Council's Whakarongo Subdivision' presented to the Finance and Audit Committee on 17 June 2020 be received for information.

1. ISSUE

- 1.1 The report titled '*Housing Portfolio Update (February 2020)*' was presented by Councillor Baty to the Economic Development Committee on 11 March 2020.
- 1.2 The Committee Resolved:
 1. *That the Housing Portfolio update report for February 2020 be received for information.*
 2. *That the Chief Executive be instructed to undertake financial modelling on the possibility of retaining one third of sections at Whakarongo for public rental housing at market rates and reported back to the May 2020 Finance and Audit Committee meeting.*
- 1.3 This report is in response to the second resolution.
- 1.4 Due to the COVID-19 Alert Level 3 and 4 restrictions this report was unable to be presented to the Finance and Audit Committee in May 2020 as requested, hence is being presented in June 2020.
- 1.5 In order to address the intent of the recommendation the following areas are addressed within this report:

Section 2 – Background

- A brief overview of the Whakarongo Subdivision;

- Cost and revenue expectations of the Whakarongo Subdivision under the existing scope;

Section 3 – Retaining Sections for Public Housing

- Critical assumptions;
- Estimate cost of construction of the public rental houses;
- Rental market overview and potential rental rates that could be achieved;
- Revenue implications of retaining sections; and

Section 4 – Additional Considerations

- Additional considerations.

2. BACKGROUND

Overview of the Whakarongo Subdivision

- 2.1 Palmerston North City Council owns an area of 9.63ha within the upper terrace of the Whakarongo residential growth area off James Line.



- 2.2 The land was acquired by Council for cemetery purposes but was no longer required. As obliged under the public works process the land was offered back to the previous owners to purchase, but no offer was received.
- 2.3 Given no offer was received, the parcel of land was subsequently rezoned for residential use.
- 2.4 The Long-Term Plan anticipated that Council will develop this land and funding was allocated beginning in the 2018/19 financial year through Programme 1485.
- 2.5 Once developed the site will create 115 new residential sections. Sections will be of a variety of sizes to appeal to a wide variety of purchasers by giving options regarding design, build type and purchase price.
- 2.6 Below is the proposed layout submitted with the resource consent approval:



Note, while this is the proposed layout of the site, it may be subject to minor changes as part of the consent process with PNCC and Horizons.

- 2.7 The development of the site will be split into two stages. The current consents that have been submitted are for Stage 1 (circa 79 sections), with the balance of sections to be delivered in Stage 2.
- 2.8 Stage 2 is subject to the approval of the comprehensive discharge consent (CDC) from Horizons Regional Council and is anticipated to closely follow, but remain distinct from, Stage 1.
- 2.9 Ideally, the timing of the CDC ties in with the completion of Stage 1 construction works to enable us to seamlessly roll from Stage 1 to 2 without further mobilisation and establishment of a contractor. This is subject to the performance and throughput of Stage 1 and approval of KiwiRail.
- 2.10 For clarity, as part of our stormwater requirements of the development, Council will be installing a culvert from our stormwater dry pond area, under the rail corridor, and into the oxbow in the below property on the other side of the rail tracks. Whilst provision will be made for this in stage 1 of the development, this will not actually be constructed until stage 2. KiwiRail require a specific formal approval process for this undertaking over and above the resource consent. There have been ongoing discussions with KiwiRail regarding this, but formal approval is still required in due course.
- 2.11 Below is a summary of the Stage 1 Development Programme:
 - May/June 2020 – consent
 - June/July 2020 – detailed design
 - July/August 2020 – presales and procurement
 - September 2020 – contract negotiations and mobilisation of contractors
 - October 2020 – earthworks commencement
 - February 2021 – civil works commencement
 - August 2021 – titles issued.

Cost and revenue expectations – existing Whakarongo Subdivision scope

- 2.12 The development of the Whakarongo Subdivision is estimated as having a total project cost of \$16.8 million plus GST. This includes items such as design and consent fees, professional fees, earthworks, construction, sales costs etc.
- 2.13 This estimated total project cost is to take the development through to fully serviced sections which are then sold. It did not include any dwelling construction.

- 2.14 It is also important to note that as we have not yet gone out for tender for construction phase of the project, this project cost is only an 'educated estimate' and will not be able to be confirmed until a tender is accepted, and Council enters into a construction contract.
- 2.15 The sections will be marketed for sale at competitive, but market determined sale rates.
- 2.16 Obviously with such a variety of section sizes the exact sale prices for each section will vary. Residential sections around the city are selling for \$400-\$450 per m².
- 2.17 For the purpose of this report and to provide an indicative total sales revenue figure, an average section sale price of \$250,000 incl. GST will be adopted. This is based on an average section size of 588m² within the subdivision @\$425 per m² (mid-range).
- 2.18 Confirmed sale prices for each section will be confirmed in July/ August as part of the Presales and Procurement phase.
- 2.19 Given the above the potential sales revenue from the subdivision could be calculated as around \$28.75 million incl. GST. (115 sections @\$250,000 each) or \$25 million plus GST.
- 2.20 For clarity this means:
- There will be a potential profit (excluding GST) of around \$8.2 million for Council once all sections are sold; and
 - Crudely calculated, Council would need to sell 77 sections to cover the cost of the project.

3. RETAINING SECTIONS FOR PUBLIC HOUSING

Critical Assumptions

- 3.1 To assist in the financial modelling exercise, the following critical assumptions have been made in writing this report:
- That "*retaining one third of sections*" applies to the first stage of 79 sections of the development only, not the total development of 115 sections. This equates to 26 sections being retained.
 - That any public housing built will be retained by Council and rented out at market dictated rates, not on-sold to the market in the foreseeable future.
 - That the public housing built will be mid-range, 2 and 3-bedroom homes but constructed in line with what would be appropriate within a new housing development.

- That the sections retained will be “pepper-potted” throughout the subdivision rather than a concentrated Papaioea Place type complex.
- The sections retained will be a variety of sizes as opposed to just the smaller ones etc.
- There will be a continued high demand for purchasing sections, and as such sections will sell for market rates in a timely manner.
- The potential average sale price will be \$250,000 incl. GST as per Clause 2.17.
- The development contributions (DC) for stormwater and local reserves is high for this catchment, although this might change given the plan to develop stormwater detention areas to meet Horizon’s requirements. This report will be adopting the current DC rate of \$12,435 plus GST per section.
- A section with a \$250,000 land value would pay annual rates of \$2,680 incl. GST or \$2,330 plus GST in 2020/21.
- There will be a continued extremely high demand for rental property in the region and as such rental houses will be tenanted quickly and low vacancy rates will be expected.
- The additional rental properties would be managed by Council’s housing tenancy team. Council would need to increase its staffing resources to manage the additional 26 houses effectively thus a property management cost will need to be considered.
- The current average market property management fee rate in Palmerston North is 8.5% of the gross rental collected. This includes a profit margin. A reduced property management cost of 6% will be applied when calculating costs to reflect management costs only.
- It is common for external property management companies to recommend landlords allow between 40-50% of the weekly rental to cover the ongoing costs of a rental property. Considering the properties would be new builds and rates are an internally charged expense, a 30% allowance will be used to calculate the net rental returns for the properties.

Estimated cost of construction of the public rental houses

- 3.2 Council Officers engaged with an experienced building company to get an idea of the appropriate housing build costs in the current market.
- 3.3 A summary of their feedback:
 - \$300,000 – \$350,000 plus GST per house would be achievable and appropriate from a budgeting perspective;
 - 2 and 3-bedroom, single bathroom houses would be most appropriate;

- There can be options to build houses with and without garages; and
- Brick cladding with a pitched roof is the most cost-effective option, and brick cladding will have less maintenance.

3.4 Given the feedback from the building company the cost of construction would be between \$7.8 – \$9.1 million plus GST (26 sections @\$300/\$350,000 each). This cost will allow for consenting and essentially make them available as 'turn-key' homes.

3.5 In addition to this it would be appropriate to allow \$200,000, for professional and project management fees on top of the construction costs. From a budgeting perspective this would mean an effective budget of \$8 – \$9.3 million plus GST to deliver these 26 public rental houses.

3.6 This would be an additional, unbudgeted capital new expense.

Rental market overview and potential rental rates that could be achieved

3.7 At the time of writing this report there is a significant shortage of supply vs. the demand for housing, both for sale and in the rental market.

3.8 As a result, the achievable market rental rates have increased significantly over the last 18 months.

3.9 Considering these would be new homes, in the Kelvin Grove/ Whakarongo area, and low maintenance; Rental agents and Council Officers have indicated a weekly rental of \$450-\$550 would be achievable.

3.10 Assuming the 26 homes were rented out, below is some potential gross annual rental scenarios that could be achieved ('x' weeks tenanted @\$450/\$550 per week x 26 homes):

- 48/52 weeks tenanted – return would be \$561,600 and \$686,400.
- 50/52 weeks tenanted – return would be \$585,000 and \$715,000
- 52 weeks tenanted – return would be between \$608,400 and \$743,600.

3.11 Note: the above rental figures are gross rent. Expenses such as rates, insurance, and repairs and maintenance still need to be deducted.

3.12 Using the same vacancy scenarios as Clause 3.10 and the 30% allowance for expenses (as per the Critical Assumptions section, Clause 3.1), below is the potential net annual rental scenarios that could be achieved:

- 48/52 weeks tenanted – return would be \$393,120 and \$480,480.
- 50/52 weeks tenanted – return would be \$409,500 and \$500,500.
- 52 weeks tenanted – return would be between \$425,880 and \$520,520.

- 3.13 Note: this does not consider the interest cost of the capital new borrowings for the construction of the houses.

Revenue implications of retaining sections

- 3.14 There are several revenue and profit implications of retaining sections and subsequently building public rental housing. They can be summarised as:
- Reduced revenue and profit from the sale of sections – Based on the average sale price of \$250,000 incl. GST per section, there would be a deduction of sales revenue of \$6.5 million incl. GST or \$5.65 million plus GST. This equates to around 69% of the potential profit.
 - The development would not “pay for itself” in Stage 1 – Council would have to wait until Stage 2 sections sales to start making a profit.
 - While development contributions will still be paid, it would be an internal transaction. By retaining 26 of the sections, Council would be forgoing this income. This would equate to \$323,310 plus GST in lost revenue (26 sections @\$12,435 plus GST per section).
 - Rates for the sections would also be an internal transaction and thus not be collected as an external revenue. This would equate to \$60,600 plus GST in lost revenue (26 sections @\$2,330 plus GST per section).
 - An additional property management cost of effectively managing the additional 26 rental houses. This equates to between \$33,696 and \$44,616 per annum depending on the vacancy rate (\$561,600 @6% and \$743,600 @6% - the minimum and maximum gross figures in Clause 3.10).
 - Crudely, without considering interest, it would take approximately between 11 – 15 years of net rental income from the 26 homes to make up the profit Council would have made from section sales and development contributions.

4. ADDITIONAL CONSIDERATIONS

- 4.1 The construction of the 26 houses would be an additional, unbudgeted capital new expense.
- 4.2 As mentioned throughout this report there is a significant shortage of supply vs. the demand for housing, both for sale and in the rental market.
- 4.3 A positive consideration for retaining sections is it would allow Council to directly provide an additional 26 homes for rent in the marketplace in a timely manner, rather than waiting on the private sector or other government agencies.
- 4.4 Some multi-unit development (e.g. Papaioea Housing) may provide more efficient land-use opportunities. This approach could allow supply of 26 dwellings in a smaller footprint of sections, although would require blocks of units to be retained rather

than “pepper-potting” throughout the development. In turn this would free up more sections to sell to the market. Alternatively, PNCC could retain 26 sections and increase the number of units within these, rather than building 26 stand-alone dwellings.

- 4.5 The new home construction market, while being the most competitive it has ever been, is still under pressure to meet the demand due to contractor availability. Some group builders have 18-month wait times before construction begins. This has been further extended as a result of the COVID-19 restrictions and delays.
- 4.6 Depending on the desired outcomes Councillors are looking for, an alternative option could be to sell some sections to a government agency such as Kāinga Ora to build rental housing or “Kiwi-Build” houses themselves.
- 4.7 Currently there are limited amenities such as supermarkets in the area (the closest being the Countdown complex on Roberts Line) and the subdivision is not on a current public transport route. This may have some implications for tenants without vehicles and make the properties unsuitable for social housing until this was remedied.
- 4.8 Providing unsubsidised public rental housing is in direct competition to the private rental market. This could be viewed negatively by sectors of the market.
- 4.9 The Social Housing Plan focuses on providing warm, safe, and affordable housing for people on low incomes who:
 - Are Super-annuitants;
 - Have long term disabilities; or
 - Experience barriers to renting in the private market.
- 4.10 Whilst providing more housing is in line with the Social Housing Plan; public rental housing will potentially be targeting a different user-group as market rental would be sought for these properties.

5. NEXT STEPS

- 5.1 Council to consider its options in respect to retaining one third of the sections within the Whakarongo subdivision for the construction of public rental housing, including the timing of construction.

6. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
Are the decisions significant?	No

PALMERSTON NORTH CITY COUNCIL

If they are significant do, they affect land or a body of water?		No
Can this decision only be made through a 10 Year Plan?		No
Does this decision require consultation through the Special Consultative procedure?		No
Is there funding in the current Annual Plan for these actions?		No
Are the recommendations inconsistent with any of Council's policies or plans?		No
The recommendations contribute to Goal 3: A Connected and Safe Community		
The recommendations contribute to the outcomes of the Connected Community Strategy		
The recommendations contribute to the achievement of action/actions in the Social Housing Plan		
The action is: Build new Council housing (by end of 2020/2021)		
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Build new Council housing (by end of 2020/2021)	

ATTACHMENTS

Nil

REPORT

TO: Finance & Audit Committee

MEETING DATE: 17 June 2020

TITLE: CET Arena - Commercial Building Opportunity

PRESENTED BY: Bryce Hosking, Manager - Property

APPROVED BY: Tom Williams, Chief Infrastructure Officer

RECOMMENDATION(S) TO COUNCIL

1. That Council does not proceed with programme #1514 – Central Energy Trust Arena Manawatu – Commercial Building in the current financial year.
2. That Council considers the construction of a commercial building at Arena, along with the timing of such a development, as part of the 2021-31 Long-Term Plan.

SUMMARY OF OPTIONS ANALYSIS FOR

Problem or Opportunity	<p>Council has an opportunity to build a 'Commercial Building' next to the new embankment which will see the public enter from the pedestrian bridge through the building into Arena 1. The building would incorporate multiple tenancies which will be strategically leased out for a commercial return and with a lens to add value to the Arena.</p> <p>This building is an additional unbudgeted expense, and as such Council needs to decide whether to proceed with its construction or not.</p>
OPTION 1:	Build a Commercial Building including a hospitality/ function facility on the top floor
Community Views	<ul style="list-style-type: none"> No formal public consultation has been undertaken on the construction of a commercial building on the site.
Benefits	<ul style="list-style-type: none"> The building would create unique feature building in the Arena entrance with potential to be a real showcase for the city. A financial return can be achieved from the building helping with investment payback. The strategic selection of tenants will add value to, and compliment, the Arena and its activities. Multiple tenancies allow for the spreading of vacancy risk. The creation of high-quality corporate hospitality and function space on the top floor creates future 'game day' opportunities and income, as well as functions and conference opportunities. The building will help to create excitement and build anticipation for events as public approach the stadium and cross the bridge.
Risks	<ul style="list-style-type: none"> The building would be a significant additional expense in the next 10-year plan, which is currently unbudgeted. There are several competing financial interests in the 10-year plan. Accommodating an additional project of this size may be difficult. The building is not an essential function of the Arena, and the redevelopment work currently underway can proceed without the building and still achieve an excellent outcome. The construction of a building for commercial business purposes does not align with the current zoning at Arena and

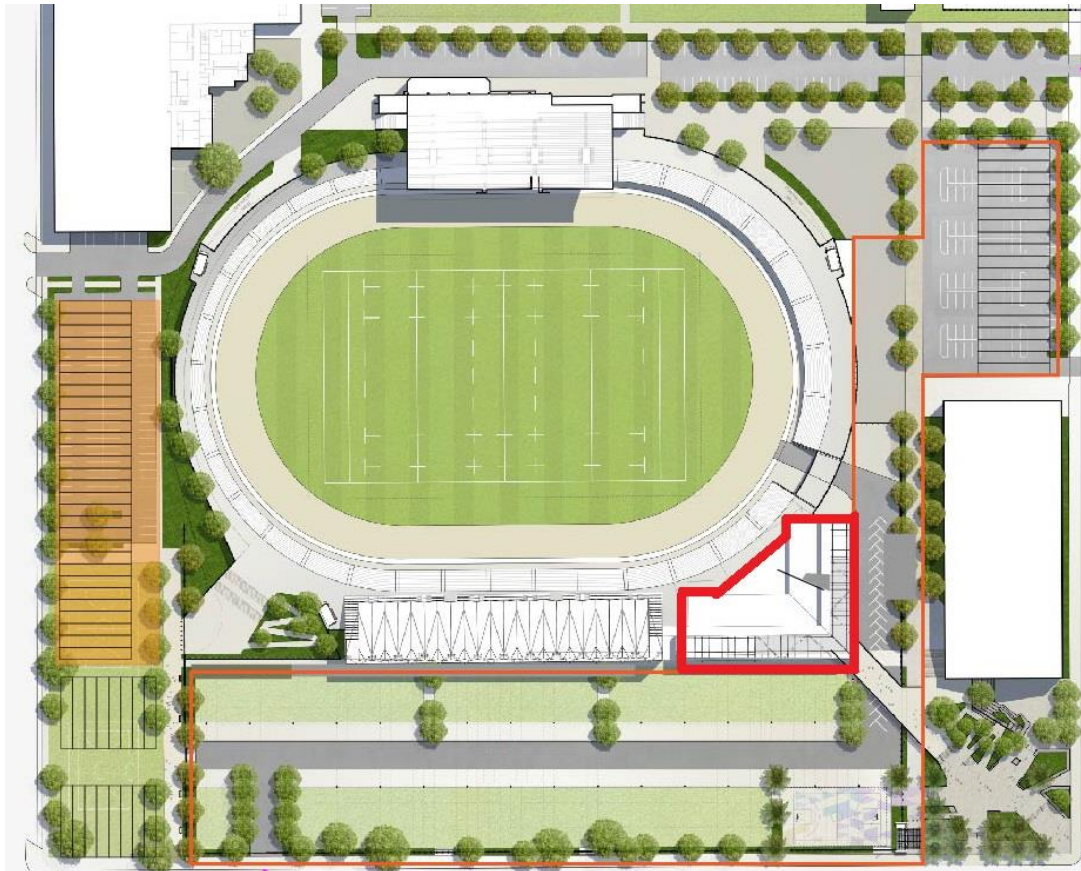
	<p>would require a discretionary resource consent to proceed.</p> <ul style="list-style-type: none"> • The rental return on investment rate is below what could be achieved in the commercial property marketplace. • As Council would want to be selective in its tenants and coupled with the location not being a traditional location for some of the tenant industries, this may result in the building having an extended vacancy period or being hard to tenant.
Financial	\$15,161,000 + GST
OPTION 2:	Build a Commercial Building without a hospitality/ function facility
Community Views	<ul style="list-style-type: none"> • No formal public consultation has been undertaken on the construction of a commercial building on the site.
Benefits	<ul style="list-style-type: none"> • The building would create unique feature building in the Arena entrance with potential to be a real showcase for the city. • A financial return can be achieved from the building helping with investment payback. • Multiple tenancies allow for the spreading of vacancy risk. • The strategic selection of tenants will add value to, and compliment, the Arena and its activities. • The building will help to create excitement and build anticipation for events as public approach the stadium and cross the bridge.
Risks	<ul style="list-style-type: none"> • The building would be a significant additional expense in the next 10-year plan, which is currently unbudgeted. • There are several competing financial interests in the 10-year plan. Accommodating an additional project of this size may be difficult. • The building is not an essential function of the Arena, and the redevelopment work currently underway can proceed without the building and still achieve an excellent outcome. • Quality hospitality, function and conference facilities are desirable in the city, so this may be a missed opportunity by not including this, especially in this unique setting and outlook. • The construction of a building for commercial business purposes does not align with the current zoning at Arena and would require a discretionary resource consent to proceed. • The rental return on investment rate is below what could be

	<p>achieved in the commercial property marketplace.</p> <ul style="list-style-type: none"> As Council would want to be selective in its tenants and coupled with the location not being a traditional location for some of the tenant industries, this may result in the building having an extended vacancy period or being hard to tenant.
Financial	\$11,105,861 + GST
OPTION 3:	Do not proceed with the construction of a Commercial Building
Community Views	<ul style="list-style-type: none"> No formal public consultation has been undertaken on the construction of a commercial building on the site.
Benefits	<ul style="list-style-type: none"> As there are several competing financial interests in the 10-year plan, so not proceeding frees up finances for other programmes. The building is not an essential function of the Arena, and the redevelopment work currently underway can proceed without the building and still achieve an excellent outcome.
Risks	<ul style="list-style-type: none"> May be viewed as a missed opportunity by the public, stakeholders and users of the Arena.
Financial	None.

RATIONALE FOR THE RECOMMENDATIONS

1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY

- 1.1 As part of the redevelopment of the CET Arena there are three projects which have physical works commencing in the current 2019/20 financial year – The Speedway Pits Relocation, the new Entrance Plaza, and the Embankment Redevelopment. The construction of these projects will conclude in the 2020/21 financial year.
- 1.2 There were several complex safety issues associated with access, security and public separation with the speedway cars during events, while still allowing for the pits area to be viewed by the public.
- 1.3 The creation of a bridge from the entrance plaza to the embankment was selected through design and development as the best solution to overcome these safety issues and is to be constructed as part of the entrance plaza project.
- 1.4 Council has an opportunity to build a ‘Commercial Building’ next to the new embankment which will see the public enter Arena 1 from the pedestrian bridge, through into an atrium area within the building, and then through into Arena 1 itself. This is indicatively shown in red on the below plan.



- 1.5 In addition to the entrance atrium, the building would incorporate multiple tenancies. These will be strategically leased out for a commercial return and to tenants which would add value to the Arena and its activities.
- 1.6 Please note: This building is an additional unbudgeted expense, and as such, Council needs to decide whether to proceed with its construction or not.
- 1.7 If Council decides to proceed, the timing of the construction and availability of funds would need to be determined within the 2021-31 10-year plan.
- 1.8 To assist in Council's decision making, Council Officers in conjunction with WT Partnership, have explored some high-level feasibility analysis including:
 - Proposed building and tenancy sizes;
 - Indicative construction materials and project costs; and
 - Tenancy mix options and potential commercial returns.

This analysis work is detailed in Section 4 of this report.

- 1.9 Please note: the construction costs presented in this report are for planning and budgeting purposes only. While efforts have been made to ensure the costs are as

accurate as possible, these figures are subject to change as scope is refined and detailed designs are formed.

2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS

Sports House Withdrawal

- 2.1 The Sports House building was proposed to be located and built next to the new entrance plaza near the Cuba Street edge of the Arena. The concept was set to include a mix of sports related tenants, commercial leasing opportunities and potentially even a ticket purchasing area for events.
- 2.2 However, Sports House was formally withdrawn from the Arena redevelopment in 2019, and this was an important change to the design for the Arena redevelopment.
- 2.3 While a disappointing outcome, the Pits and Plaza designs were able to be modified following withdrawal of Sports House to provide a range of design benefits including:
 - Continued utilisation of existing buildings to reduce spend;
 - Less impact on existing operations; and
 - A reduction in long term impact to adjacent residents.
- 2.4 The withdrawal of Sports House also created the opportunity for a 'replacement' building of sorts to be considered as a feature of the entrance redevelopment in a revised location.
- 2.5 The final Pits and Plaza designs were created to allow an opportunity such as this building to be incorporated at a later stage in the development if desired by Council while still allowing for the Speedway Pits, Embankment and Entrance Plaza projects to still proceed immediately.
- 2.6 Equally, if Council chose not to proceed with a commercial building, the designs would still provide an excellent outcome for the site.
- 2.7 These designs were endorsed against the Arena Masterplan and deemed to be within the Masterplan parameters. These were presented to the independent planning commissioner and a non-notified resource consent has been granted.
- 2.8 In theory, it is possible for the building to house a revised Sports House concept once constructed on the ground floor. However, the feasibility analysis in Section 3 of this report is based on achieving commercial rentals for the space.
- 2.9 For clarity, if a favourable rate was offered for the Sports House tenant, it will further reduce the commercial return rate that can be achieved, and be association reduce the building's ability to "stack up".

Existing Financial Provisions

- 2.10 Following the withdrawal of Sports House, the \$1,500,000 operational grant that was in the 10-year plan to contribute towards the Sports House construction project, was repurposed as part of the 2019/20 Annual Plan as a capital new programme: Programme 1514 – Central Energy Trust Arena Manawatu – Commercial Building.
- 2.11 As all work to date has been initial feasibility work. All analysis, high-level concept design, and commercial viability work to date is an operational expense and not capitalised against this Programme.
- 2.12 For clarity, if Council decides to proceed with the commercial building, some detailed design and planning could be undertaken this financial year and be capitalised against this Programme. However, this would not be anywhere near the \$1,500,000 budget.
- 2.13 The balance of the Programme could be carried forward and form part of the construction programme budget provision.

City Planning and Zoning Considerations

- 2.14 Overall, the proposal to create a tenanted commercial building within CET Arena is a poor fit with the District Plan.
- 2.15 CET Arena has a very specific and unique ‘Arena Zoning’. It was created to provide for sport and recreation-based activities. This was a deliberate decision that was made in 2017 when the Recreation Chapter of the District Plan was reviewed.
- 2.16 Seeking to establish activities such as a commercial office, retail etc. unrelated to recreation or sport would trigger a Discretionary Activity resource consent, which would need to be assessed against the Arena Zone’s Objectives and Policies and the City-wide Objectives.
- 2.17 The Arena Zone’s Objectives and Policies only provide for recreation and sport-based activities and City View Objective 14 seeks to retain the City Centre as the primary focus for office and retail activities within the City. This suggests that a resource consent application would be difficult to obtain.
- 2.18 City View Objective 13 does provide some counterbalancing. It states that “investment within the City is stimulated and identified priority sectors such as education and public administration are well supported”.
- 2.19 Availability, or lack of, high-quality office space in the city centre could also form part of the application. However, if there is a lack of space this may not be enough grounds for consent approval given the other factors already mentioned.

- 2.20 If there was a sizeable new anchor tenant that could tenant the building on Arena, this same tenant could be better suited to work with a developer in the private sector to justify upgrades to existing buildings within the city centre, or to build something new.
- 2.21 Ultimately, there is no guarantee that a resource consent application would be granted for a commercial building to be built and tenanted, and depending on the industries tenanting the building, it could be viewed as these being better suited to being within the city centre, rather than at Arena.

3. DESCRIPTION OF OPTIONS

Build a commercial building including a hospitality/ function facility on the top floor

- 3.1 The proposed building is to be located next to the newly redeveloped embankment and will see the public enter Arena 1 from the pedestrian bridge, through into an atrium area within the building, and then through into Arena 1 itself.
- 3.2 In addition to the entrance atrium, the building would incorporate multiple tenancies. These will be strategically leased out for a commercial return and to tenants which would add value to the Arena and its activities.
- 3.3 The following description of the building is only an indicative construction and layout. Floor and tenancy sizes and layouts may be subject to change upon completion of final designs.
- 3.4 The proposed high-level dimensions of the building are:

Floor	Floor Size	Additional Features
Ground	1,283m ²	
First	1,056m ²	Includes the atrium area/ connection to Arena 1
Second/ Top	1,358m ²	Additional 75m ² balcony overlooking Arena 1
Total	3,697m²	

- 3.5 **Please refer to Appendix 3: 'Indicative Floor Plans' and Appendix 4: 'Commercial Building Concept Building Renders' attached to this report.**
- 3.6 Ground Floor
- 1,283m² of fully tenantable building space
 - Will have a common lobby so it can accommodate two tenancies as well as a lift to upper floors.
 - Independent ground floor access point for tenants and clientele to enter the building (as opposed to access along the pedestrian bridge).

- Both tenancies would have a lettable area of 550m² each.
- An alternative could be to combine these into one large tenancy.

3.7 First Floor

- 1,056m² floor which includes the pedestrian access and atrium area in through the middle of the floor.
- There is provision for two tenancies on this floor; one each side of the atrium. Both tenancies will have a lettable area of 400m² each.
- Primary access to these tenancies will be off the atrium and potentially have a 2nd entrance off the embankment.

3.8 Top Floor

- The 2nd floor / top floor being 1,358m² would be used as a corporate and hospitality function space.
- The space would also include a 75m² balcony that extends out over the embankment overlooking Arena 1.
- The space could be used for hospitality when events are on in Arena 1.
- Alternatively, the space would be fully bookable as a function/ corporate/ conference space for both the public and the tenants within the building.

3.9 Estimated construction cost: \$15,161,000 + GST.

3.10 **Please refer to Appendix 1: 'Option 1: Indicative Project Costs' attached to this report for a breakdown of the cost for Option 1.**

Build a commercial building without a hospitality/ function facility

3.11 This option is essentially the same as the above, accept without the 2nd/ top floor.

3.12 Given the primary function of the building as being a commercial building, the assumption has been made that the focus would remain on achieving lettable tenancies for a commercial return, as opposed to a hospitality and function space.

3.13 As such, by removing the 2nd floor, there would not be a hospitality and function space in the building, nor would there be a balcony overlooking Arena 1.

3.14 Estimated construction cost: \$11,105,861 + GST.

3.15 **Please refer to Appendix 2: 'Option 2: Indicative Project Costs' attached to this report for a breakdown of the cost for Option 2.**

Do not proceed with the construction of a commercial building

- 3.16 As the commercial building is not being built, the pedestrian bridge would instead connect straight to the embankment.
- 3.17 As the building is not being built, there is no construction cost for this option, however, there is an opportunity cost in not proceeding.

4. ANALYSIS OF OPTIONS

- 4.1 For the purpose of analysis of the feasibility and viability of a commercial building on the site as described in Section 3 of this report, this section will focus on exploring the use of building, potential tenant mix and projected returns.

Overarching principles for tenancing the building

- 4.2 The commercial building will present a unique proposition in the marketplace unlike any other options in Palmerston North. Not only would it provide a unique location and views, but also provide a regular captured audience for the tenants whenever events are taking place within Arena.
- 4.3 The flipside of this, is the importance of selecting tenant industries who will add value to the Arena and its activities.
- 4.4 It would be recommended that PNCC carefully select the tenant industries and operators for the facility with the following considerations:
- Tenants are fit for purpose for Arena and compliment other Arena activities;
 - Tenant businesses bring 'attraction and excitement' to the building and Arena and support the building as a drawcard;
 - Businesses have stability and proven operational ability; and
 - Tenants can reasonably meet the foreseeable growth and demand of the commercial activities (sustainability).
- 4.5 The benefits in taking this approach is Council is more likely to result in a lower turnover of tenants in the long-run and the tenants chosen will be more resilient.
- 4.6 The risk is, as Council would want to be selective in its tenants and coupled with the location not being a traditional location for some of the tenant industries, this may result in the building having an extended vacancy period or potentially being hard to tenant.

Tenant industry typologies considered

- 4.7 Putting aside the zoning considerations mentioned in Clause 2.14 – 2.21 of this report, the following tenant industry types were considered:

4.8 Conference and Function Centre

- Council's existing Conference & Function Centre on Main Street has shown solid bookings over the last few years and has strong future bookings levels.
- A corporate and hospitality function space right next to Arena 1 could host private functions, conferences, game day corporate hospitality and should bring significant economic benefit to the Arena.
- As this industry is not relying on foot traffic or pedestrian flow, this removes any location issues the Arena may have compared to the city centre.

4.9 Hospitality

- This is a logical choice from a value-add point of view to the Arena as it would support a variety of events and activities.
- The tenant/s would have the ability to operate under standard business hours and not just during Arena events.
- Hospitality has a reputation for subjective popularity and is not as stable as other industries such as office tenants.
- Further to this, there are concerns around the potential lack of pedestrian flow and foot traffic outside of events, so the operators would need a robust marketing strategy to ensure the business remains viable.
- Options could be a sports bar, café and/or a restaurant.

4.10 Health providers

- A tenancy of health providers, such as physio and sport science centre are fit for purpose for Arena activities and could provide several synergies.
- The industry is not relying on foot traffic or pedestrian flow, this removes any location issues the Arena may have compared to the city centre.
- However, the demand and business growth of the industry is uncertain over and above existing providers already in the city.

4.11 Commercial Office

- High-quality office space is in strong demand in the city at present.
- Office space has a good rental return compared to other lease types.
- Office tenants do not particularly add value to the Arena and its activities however are one of the most appealing options rental-wise.
- Again, it is not particularly reliant on foot traffic or pedestrian flow, and removes location issues the Arena may have compared to the city centre.

- Typically, this is a stable industry type compared to others like retail and hospitality.
- A business hub concept could also be considered and would create different vibe from the traditional office space.

4.12 Retail

- Foot traffic is important to retail business so this would need to be a consideration.
- Since the Arena is not a typical retail zone, the tenant would need to have strong customer loyalty and attraction to sustain sales during the times when there is no event in the Arena 1 to draw enough pedestrian flow.
- A sportswear chain store could be an example of what could be considered on the site.

Tenant mix options for the building

- 4.13 With the above tenant typologies considered, there are three broad options for a building tenant mix that best support the desired outcomes from the building.
- 4.14 The most suitable option for the top floor is the conference and function centre. This is consistent through each of the tenant mix options.
- 4.15 The 1st floor is best suited to house the hospitality tenancies such as a bar and a café/ restaurant. This allows for pedestrians to access these through the atrium and from both Arena 1 during game days, and via the pedestrian bridge.
- 4.16 The tenant mix options then consider the different complimenting options for the ground floor.
- 4.17 The following table provides three potential tenant mixes options considered:

	Tenant Mix 1	Tenant Mix 2	Tenant Mix 3
2 nd floor	Conference and function centre	Conference and function centre	Conference and function centre
1 st floor	2x Hospitality	2x Hospitality	2x Hospitality
Ground floor	Health provider/s	Retailer/s	Office/ Biz Hub

- 4.18 The below table compares the optimal combined annual rentals for each tenant mix that could be achieved and estimated return on investment based on the construction price for each option:

	Tenant Mix 1	Tenant Mix 2	Tenant Mix 3
Option 1 – 3 floor bldg.			
Optimal Annual Rental	\$915,500 + GST and outgoings	\$794,500 + GST and outgoings	\$937,500 + GST and outgoings
Estimated Return (@ \$15,161,000 construction cost)	6.0%	5.2%	6.2%
Option 2 – 2 floor bldg.			
Optimal Annual Rental	\$603,000 + GST and outgoings	\$482,000 + GST and outgoings	\$625,000 + GST and outgoings
Estimated Return (@ \$10,793,000 construction cost)	5.6%	4.5%	5.8%

- 4.19 Please note: The conference and function centre tenant on the 2nd/ top floor is being treated as an external tenant paying market rates. In this model all income generated from this space would be the tenant's revenue.
- 4.20 An alternative is for this floor to be operated by Arena staff as they do Council's Conference and Function centre on Main Street. In this model, while there would be an internal rental charged, all income generated from the space would be Council's.
- 4.21 A rental rate breakdown is attached detailing how the projected annual rentals were determined.

Return on investment comparison to property marketplace

- 4.22 Sales evidence in the commercial property marketplace derived from real estate firms and valuation data indicates investors are typically achieving 7%-8% returns for their long-term investments.
- 4.23 As a general investment strategy, the lower the return, the more secure an investor wants their tenant. This would typically be through long-term leases, guarantors, or secure national tenants such as banks or government organisations etc.
- 4.24 Given the motivations for the building are more than purely rental return, and it is very unlikely Council would ever sell the building in the future; the building would continue to add value to the Arena and its activities and be more of a long-term passive income source. Thus, a lower than market return rate is not necessarily an unfeasible outcome.

- 4.25 However, the returns that are forecast to be achieved are enough below the market achievable rates to question its viability.

5. CONCLUSION

- 5.1 Building a commercial building at Arena will present a unique proposition in the marketplace, providing a unique location and views, as well as a regular captured audience for the tenants whenever events are taking place within Arena.
- 5.2 Council would want to put added importance into selecting the right tenant operators and industries who will add value to the Arena and its activities as well as businesses have stability and proven operational ability.
- 5.3 As a long-term strategic investment, it is anticipated that the building would achieve a return on investment less than what could be achieved in the property marketplace. The viability of the building must be questioned.
- 5.4 By reducing the size of the building and not having the conference and function space on the 2nd floor, Council is able to reduce the initial capital investment by around \$4,368,000. However, this will have a direct impact on the income that is able to be generated, which when considered against a rate of return, makes the building less viable.
- 5.5 Ultimately the decision to proceed will come down to the perceived value from Council:

Does the value of adding a revenue generating building, which will complement the Arena and its activities and users, justify the significant unplanned financial input of an additional \$15,000,000+ for a building at Arena into the next 10-year plan?

- 5.6 This question can be answered by considering the following:
- There is no existing funding for the construction of the building;
 - The construction of the building is not an essential piece of infrastructure in the Arena redevelopment works;
 - Aesthetically and strategically a building at the end of the bridge will provide a grand entrance type feel into Arena 1, which could become an iconic feature of the Arena;
 - The current zoning of the Arena is unlikely to support a building being created for this purpose. A discretionary consent will be required and may be difficult to obtain;
 - It is recommended that Council be very selective in the tenant process to get the best fit tenants, however, this may result in an extended vacancy period;

- The building will provide an additional revenue stream for Council and the Arena;
- However, the rental rate of return that can be achieved is less than what can be achieved in the commercial property marketplace;
- The building is not time critical. The building could be reconsidered at any time in the future should circumstances change, an ideal anchor tenant was found etc.; and
- The pedestrian bridge and embankment are being designed in such a way that they can connect and provide a feature entrance to Arena 1, regardless of whether the building is built or not.

5.7 Based on these considerations, it can be assessed that there is not an urgent need for the building being built in the next 12 months.

5.8 It is being recommended that Council instead consider the construction of a commercial building at Arena, along with the timing of such a development, as part of the 2021-31 Long-Term Plan.

6. NEXT ACTIONS

6.1 Council to consider the construction of a commercial building at Arena, along with the timing of such a development, as part of the 2021-31 Long-Term Plan.

7. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS





7.1 No formal public consultation has been undertaken on the construction of a commercial building on the site.

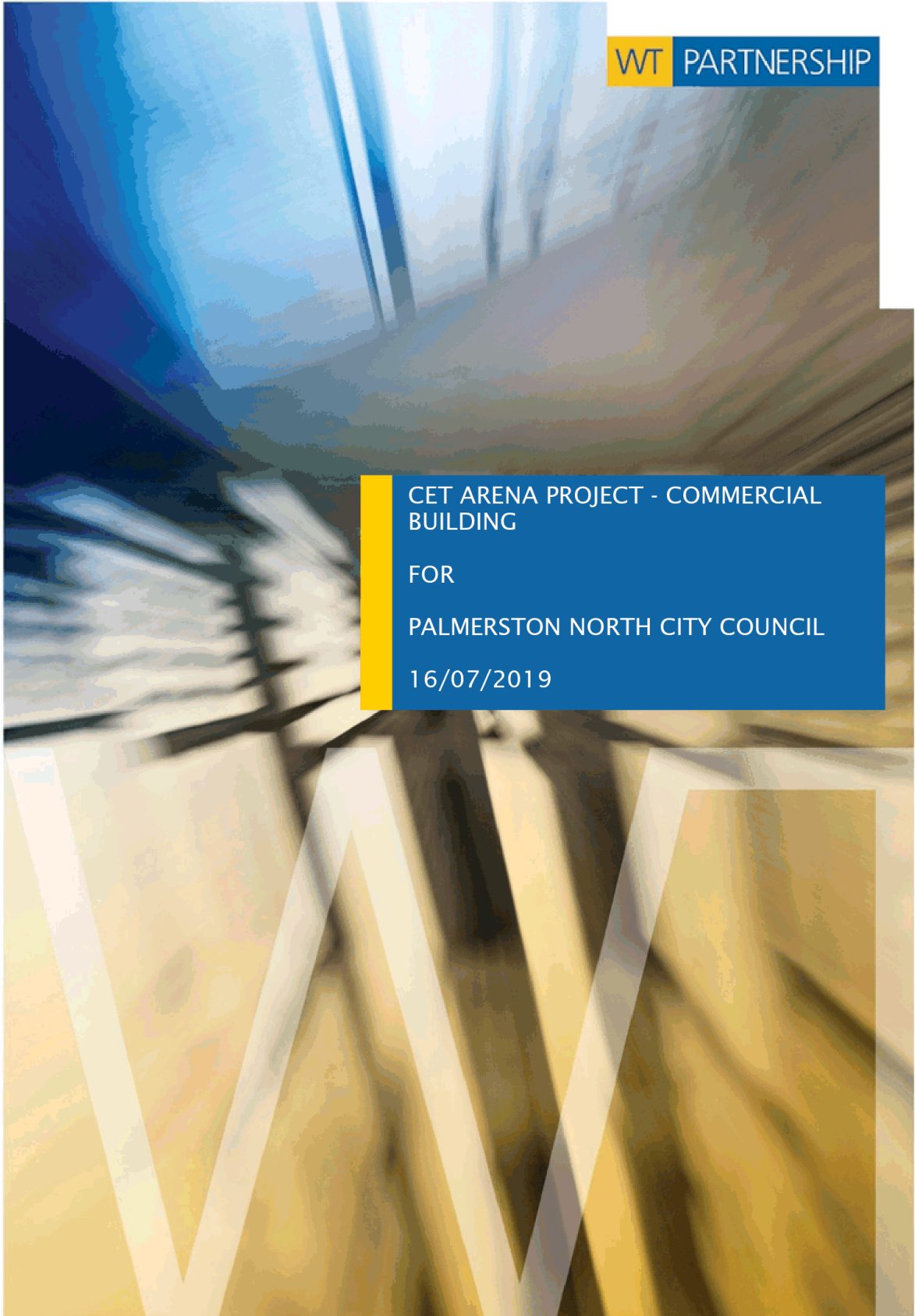
COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 2: A Creative and Exciting City	

The recommendations contribute to the outcomes of the Creative and Liveable Strategy	
The recommendations contribute to the achievement of action/actions in the Active Community Plan	
The action is: Central Energy Trust Arena is the city's main multi-purpose hub for sport and recreation and serves as the region's premier sporting and events hub.	
Contribution to strategic direction and to social, economic, environmental and cultural well-being	Palmerston North has fit-for-purpose facilities that meet demonstrated community's sport and recreation needs and retains its ability to host major sporting events.

ATTACHMENTS

1. Option 1: Indicative Project Costs [↓](#) 
2. Option 2: Indicative Project Costs [↓](#) 
3. Indicative Floor Plans [↓](#) 
4. Commercial Building Concept Building Renders [↓](#) 



WT PARTNERSHIP

CET ARENA PROJECT - COMMERCIAL
BUILDING

FOR

PALMERSTON NORTH CITY COUNCIL

16/07/2019



CONTENTS

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APPENDICES

APPENDIX A ESTIMATE DETAILS

1

EXECUTIVE SUMMARY

This report has been prepared by WT Partnership (WTP) expressly for Palmerston City Council covering the proposed works at CETA Arena. For the purpose of providing a Concept Design Estimate covering the construction of a New Commercial Building.

The following is a summary of the construction costs: -

CONSTRUCTION COSTS	GFA	RATE/M2	TOTAL
COMMERCIAL BUILDING	3,697 m2	3,048	11,268,207
CONSTRUCTION COSTS SUB TOTAL			11,268,207
BUILD CONTINGENCY 7.5%			845,116
PROJECT CONTINGENCY 5%			605,666
PROFESSIONAL FEES 17%			1,915,595
CONSENT 1%			Excluded
ESCALATION 2 % (Per Annum)			526,416
TOTAL PROJECT COST	3,697 m2	4,101	15,161,001

All amounts exclude GST.

Full details of the above along with a breakdown by Element is included in Appendix A



2

CLARIFICATIONS

- 1 This estimate is concept level indication of costs and must be reviewed as design develops.
- 2 We have made allowances on a \$per M2 where the information is deficient or missing.
- 3 We have made allowances for fire alarm only, no sprinklers.
- 4 Preliminaries allowed at 14%.
- 5 Provision for Professional Fees 17%
- 6 Provision for Build Contingency of 7.5%
- 7 Provision for Project Contingency of 5%

3

EXCLUSIONS

- 1 Finance and holding costs.
- 2 Development Contributions.
- 3 Ground remediation, rock excavation, soft spots.
- 4 No allowance has been made for the removal of asbestos.
- 5 Removal of significant ground obstructions.
- 6 Any improvements necessary to Network Infrastructure.
- 7 Out of hours works.
- 8 Compensation to affected Parties / Neighbours including relocation costs.
- 9 No allowance has been made for new power generator at this stage.
No allowance has been made for new power transformer.
- 10 Loss on income, relocation, temporary storage and distribution costs for the period of the works.



4 DOCUMENTS USED

- 1 CPRW - Outline Specification 3 July 2019
- 2 CPRW - Drawings - SK150, SK151, SK152

APPENDIX A
ESTIMATE DETAILS

PROJECT NAME:	COMMERCIAL BUILDING	WT PARTNERSHIP
ESTIMATE TYPE:	CONCEPT DESIGN ESTIMATE	
DATE ISSUED:	16TH JULY 2019	

PROJECT SUMMARY

	GFA	RATE	TOTAL
CONSTRUCTION COSTS	GFA	RATE/M2	TOTAL
COMMERCIAL BUILDING	3,697 m2	3,048	11,268,207
CONSTRUCTION COSTS SUB TOTAL			11,268,207
BUILD CONTINGENCY 7.5%			845,116
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ESCALATION 2 % (Per Annum)			526,416
TOTAL PROJECT COST	3,697 m2	4,101	15,161,001

PROJECT NAME:	COMMERCIAL BUILDING	WT PARTNERSHIP
ESTIMATE TYPE:	CONCEPT DESIGN ESTIMATE	
DATE ISSUED:	16TH JULY 2019	

ELEMENTAL SUMMARY - COMMERCIAL BUILDING

ELEMENT	RATE / m ² of GFA	TOTAL
COMMERCIAL BUILDING	RATE/M2	TOTAL
DEMOLITION AND ALTERATIONS	17	62,700
EARTHWORKS	71	263,340
SUB-STRUCTURE	109	401,280
FRAME	250	924,250
STRUCTURAL WALLS	50	184,850
UPPER FLOORS	179	660,750
ROOF	161	596,250
EXTERNAL WALLS	73	269,850
WINDOWS & EXTERNAL DOORS	245	904,600
STAIRS & BALUSTRADES	95	351,215
INTERNAL WALLS	45	166,365
INTERNAL DOORS	35	129,395
FLOOR FINISHES	128	474,490
WALL FINISHES	53	195,250
CEILING FINISHES	85	315,760
FITTINGS & FIXTURES	40	147,880
SANITARY PLUMBING	80	295,760
HEATING & VENTILATION	220	813,340
FIRE SERVICES	95	351,215
ELECTRICAL SERVICES	154	567,580
VERTICAL & HORIZONTAL TRANS	41	150,000
SPECIAL SERVICES	50	184,850
DRAINAGE	15	55,455
SUNDRY ITEMS	25	92,425
EXTERNAL WORKS	184	678,900
SUBTOTAL FOR CONSTRUCTION		9,237,750
PRELIMINARIES & GENERAL 14%		1,293,285
MARGIN 7%		737,172
TOTAL CARRIED TO PROJECT SUMMARY	3,048	11,268,207

GFA: 3,697m²

PROJECT NAME:	COMMERCIAL BUILDING	WT	PARTNERSHIP
ESTIMATE TYPE:	CONCEPT DESIGN ESTIMATE		
DATE ISSUED:	16TH JULY 2019		

ELEMENTAL DETAIL - COMMERCIAL BUILDING

ITEM REF.	DESCRIPTION	QTY	UNIT	RATE	TOTAL
DEMOLITION AND ALTERATIONS					62,700
	DEMOLITION AND ALTERATIONS				
1.1	Demolitions and alterations works	1,254 m2		50	62,700
EARTHWORKS					263,340
	EARTHWORKS				
2.1	Bulk earthworks	1,254 m2		210	263,340
SUB-STRUCTURE					401,280
	SUB-STRUCTURE				
3.1	Basement substructure	1,254 m2		120	150,480
3.2	Foundations	1,254 m2		200	250,800
FRAME					924,250
	FRAME				
4.1	Structural framing	3,697 m2		250	924,250
STRUCTURAL WALLS					184,850
	STRUCTURAL WALLS				
5.1	Structural walls	3,697 m2		50	184,850
UPPER FLOORS					660,750
	UPPER FLOORS				
6.1	Upper floors	2,443 m2		250	610,750
6.2	Extra value for translucent laminated glass to balcony floor	1 sum		50,000	50,000
ROOF					596,250
	ROOF				
7.1	Roof works	1,275 m2		350	446,250
7.2	Extra value for roof top plant screen	1 sum		150,000	150,000
EXTERNAL WALLS					269,850
	EXTERNAL WALLS				
8.1	External wall allowance	771 m2		350	269,850

PROJECT NAME:	COMMERCIAL BUILDING	WT	PARTNERSHIP
ESTIMATE TYPE:	CONCEPT DESIGN ESTIMATE		
DATE ISSUED:	16TH JULY 2019		

ELEMENTAL DETAIL - COMMERCIAL BUILDING

ITEM REF.	DESCRIPTION	QTY	UNIT	RATE	TOTAL
WINDOWS & EXTERNAL DOORS					904,600
WINDOWS & EXTERNAL DOORS					
9.1	External façade windows and doors	868 m2		950	824,600
9.2	Extra value for circular skylight	1 item		50,000	50,000
9.3	Extra value for revolving entry door	1 item		30,000	30,000
STAIRS & BALUSTRADES					351,215
STAIRS & BALUSTRADES					
10.1	Stairs and balustrades	3,697 m2		95	351,215
INTERNAL WALLS					166,365
INTERNAL WALLS					
11.1	Internal walls	3,697 m2		45	166,365
INTERNAL DOORS					129,395
INTERNAL DOORS					
12.1	Supply and Install internal doors and frames across GFA	3,697 m2		35	129,395
FLOOR FINISHES					474,490
FLOOR FINISHES					
13.1	New floor finishes across the GFA	3,697 m2		120	443,640
13.2	Extra over value to balcony floor Deck Jack system	145 m2		150	21,750
13.3	Extra over value lime stone tiles to reception area	182 m2		50	9,100
WALL FINISHES					195,250
WALL FINISHES					
14.1	Wall finishes across the GFA	3,697 m2		50	184,850
14.2	Extra over value for limestone to foyer areas	208 m2		50	10,400
CEILING FINISHES					315,760
CEILING FINISHES					
15.1	Ceiling finishes over the GFA	3,697 m2		80	295,760
15.2	Extra value for ceiling feature to foyer	1 sum		20,000	20,000
FITTINGS & FIXTURES					147,880
FITTINGS & FIXTURES					
16.1	Fixture and fittings across the GFA	3,697 m2		40	147,880

PROJECT NAME:	COMMERCIAL BUILDING	WT	PARTNERSHIP
ESTIMATE TYPE:	CONCEPT DESIGN ESTIMATE		
DATE ISSUED:	16TH JULY 2019		

ELEMENTAL DETAIL - COMMERCIAL BUILDING

ITEM REF.	DESCRIPTION	QTY	UNIT	RATE	TOTAL
SANITARY PLUMBING					295,760
	SANITARY PLUMBING				
17.1	Plumbing works across the GFA	3,697 m2		80	295,760
HEATING & VENTILATION					813,340
	HEATING & VENTILATION				
18.1	Heating and ventilation across the GFA (Base build allowance)	3,697 m2		220	813,340
FIRE SERVICES					351,215
	FIRE SERVICES				
19.1	Fire services allowance across the GFA 9 (Sprinklers and fire alarm)	3,697 m2		95	351,215
ELECTRICAL SERVICES					567,580
	ELECTRICAL SERVICES				
20.1	Electrical services across the GFA	3,697 m2		140	517,580
20.2	Extra value feature lighting foyer area	1 sum		50,000	50,000
VERTICAL & HORIZONTAL TRANS					150,000
	VERTICAL & HORIZONTAL TRANS				
21.1	Vertical passenger lifts	1 m2		150,000	150,000
SPECIAL SERVICES					184,850
	SPECIAL SERVICES				
22.1	Special services across the GFA	3,697 m2		50	184,850
DRAINAGE					55,455
	DRAINAGE				
23.1	Drainage allowance across the GFA	3,697 m2		15	55,455
SUNDRY ITEMS					92,425
	SUNDRY ITEMS				
24.1	Sundries items across the GFA	3,697 m2		25	92,425
EXTERNAL WORKS					678,900
	EXTERNAL WORKS				
25.1	External works across the GFA	2,038 m2		250	509,500
25.2	Extra value for canopy works	484 m2		350	169,400

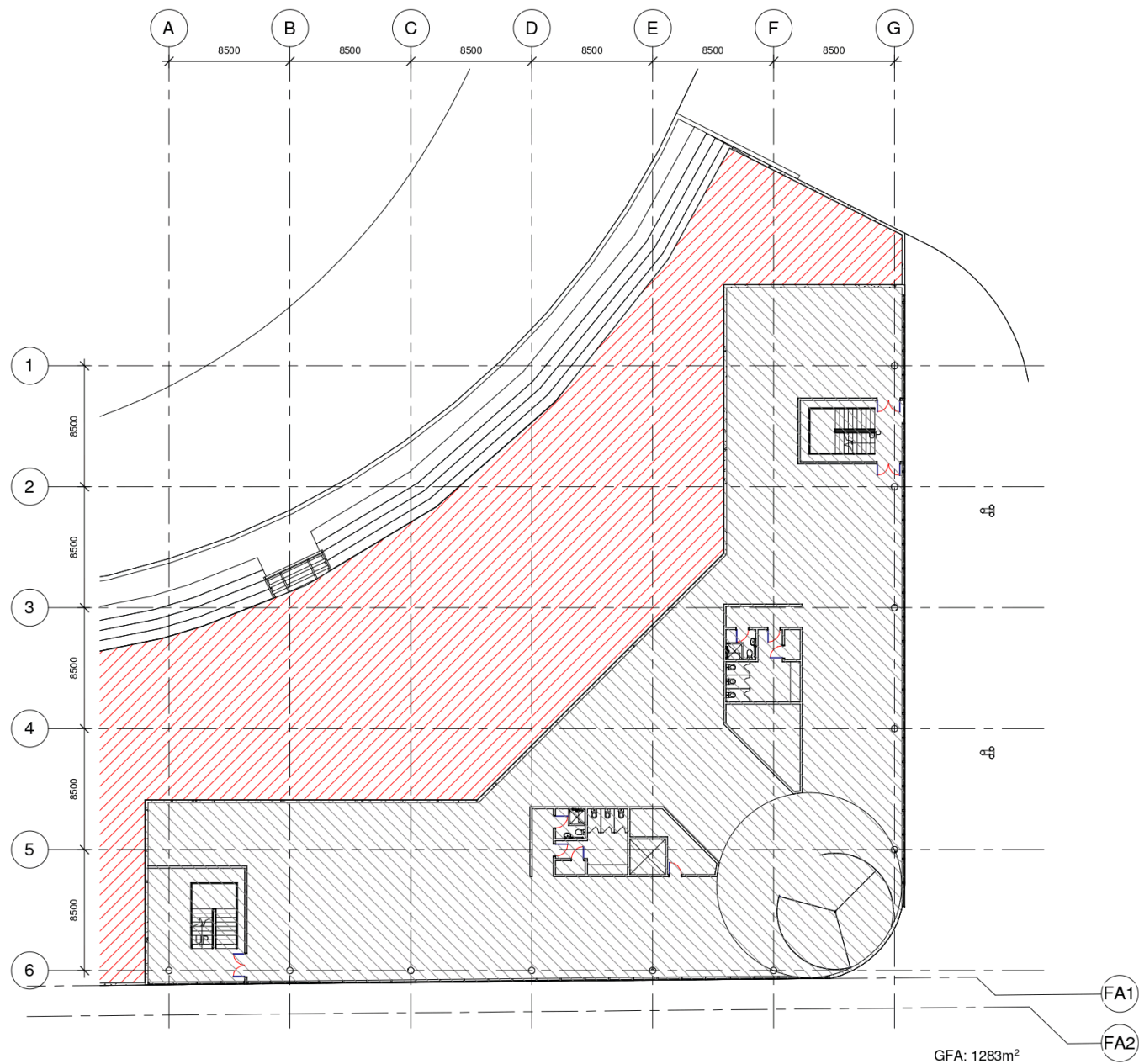
CETA COMMERCIAL BUILDING - EXCLUDING LEVEL 2

Schedule of Areas

Ground Floor	1,283	m2
Level 1	1,056	m2
Total Floor Area	2,339	m2

Cost Plan

Site Preparation	1,283	m2	\$50	\$64,150
Earthworks	1,283	m2	\$210	\$269,430
Substructure and Foundations	1,283	m2	\$320	\$410,560
Frame	2,339	m2	\$250	\$584,750
Structural Walls	2,339	m2	\$50	\$116,950
Upper Floors	1,056	m2	\$250	\$264,000
Glass Balcony Floor		Item		N/A
Roof	1,056	m2	\$350	\$369,600
Roof top screen		Item		\$150,000
External walls - GF	263	m2	\$350	\$92,120
External Walls - L1	293	m2	\$350	\$102,410
Windows - GF	395	m2	\$950	\$375,060
Windows - L1	439	m2	\$950	\$416,955
Circular skylight		Item		\$50,000
Revolving entry door		Item		\$100,000
Stair and Balustrades	2,339	m2	\$95	\$222,205
Internal Walls	2,339	m2	\$55	\$128,645
Internal Doors	2,339	m2	\$25	\$58,475
Floor Finishes	2,339	m2	\$120	\$280,680
Stone tiles to reception	182	m2	\$150	\$27,300
Wall finishes	2,339	m2	\$50	\$116,950
Limestone to foyer	208	m2	\$250	\$52,000
Ceiling Finishes	2,339	m2	\$80	\$187,120
Foyer ceiling	182	m2	\$200	\$36,400
Fittings	2,339	m2	\$50	\$116,950
Sanitary plumbing	2,339	m2	\$80	\$187,120
HVAC	2,339	m2	\$250	\$584,750
Fire	2,339	m2	\$110	\$257,290
Electrical	2,339	m2	\$150	\$350,850
EV for foyer lighting		Item		\$50,000
Lift - 2 levels	1	No	\$120,000	\$120,000
Special services	2,339	m2	\$50	\$116,950
Drainage	2339	m2	\$15	\$35,085
Sundries	2339	m2	\$36	\$84,204
Extension of bridge deck now suspended	210	m2	\$750	\$157,500
Reposition gates etc at L1		Item		\$50,000
Repairs to surfacing around perimeter	650	m2	\$150	\$97,500
Additional works to concourse	500	m2	\$150	\$75,000
Net Build Costs				\$6,758,959
Preliminary & General	14%			\$946,254
Margin	7%			\$539,365
Total Construction				\$8,244,578
				\$3,524.83
Design and Estimating Contingency	7.5%			\$618,343
Build Contingency	5%			\$443,146
Professional Fees	17%			\$1,582,031
Consenting	1%			excluded
Escalation	2%			\$217,762
TOTAL COST EXCLUDING LEVEL 2				\$11,105,861



1 | Ground floor
SK153 SCALE: 1 : 200@A1

CPRW
architecture / design

DRAFT
NOT TO BE ISSUED
DRAWING CURRENTLY IN PROGRESS

Rev	Date	Description	By
1			Client

Project
CETA
STAGE 1: Pits Landscape and Plaza
Sheet Title
COMMERCIAL BUILDING
GROUND FLOOR

Scale
1 : 200

Drawn	Checked	Date
BL	CPRW	06/28/19

Project Number
4426

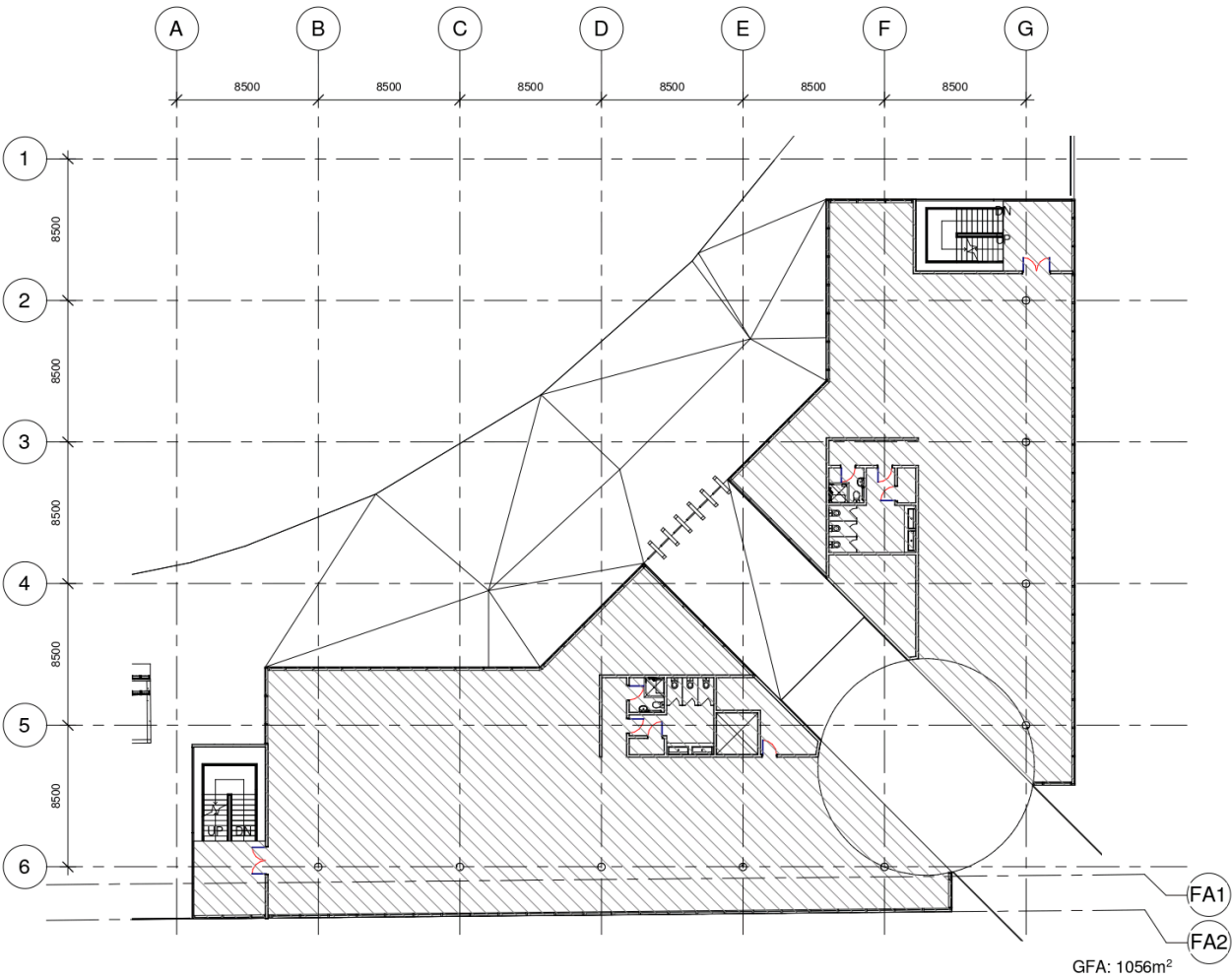
Status
FOR INFORMATION

Drawing Number	Revision
SK150	

CPRW
architecture / design

DRAFT

NOT TO BE ISSUED
DRAWING CURRENTLY IN PROGRESS



1 | First Floor
SK153 SCALE: 1 : 200@A1

Rev	Date	Description	By
			Client

Project
CETA
STAGE 1: Pits Landscape and Plaza

Sheet Title
COMMERCIAL BUILDING
FIRST FLOOR

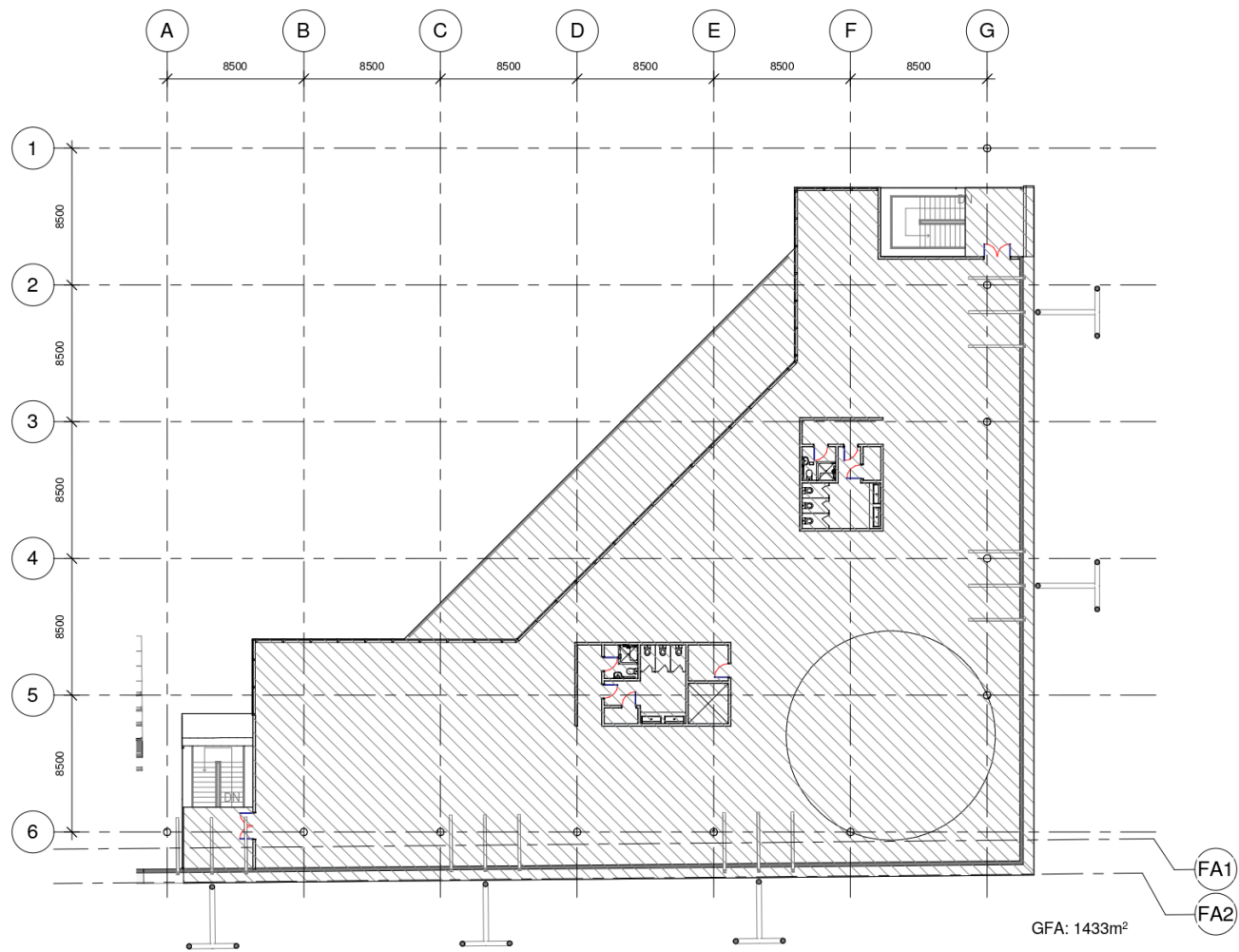
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Drawn	Checked	Date
BL	CPRW	06/28/19

Project Number
4426

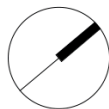
Status
FOR INFORMATION

Drawing Number	Revision
SK151	



1 | **Second Floor**
SK153 SCALE: 1 : 200@A1

CPRW
architecture / design



DRAFT
NOT TO BE ISSUED
DRAWING CURRENTLY IN PROGRESS

Rev	Date	Description	By
			Client

Project
CETA
STAGE 1: Pits Landscape and Plaza

Sheet Title
COMMERCIAL BUILDING
SECOND FLOOR

Scale
1 : 200



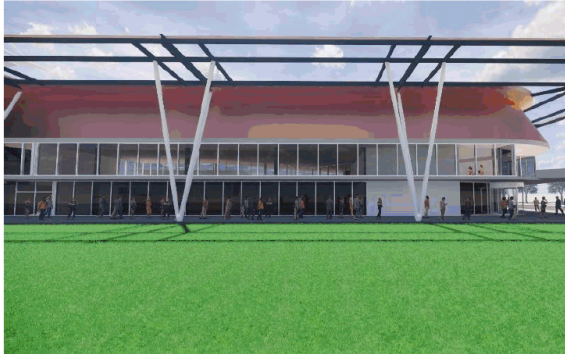

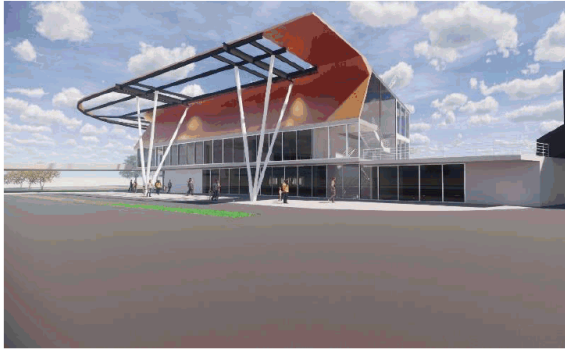

Drawn	Checked	Date
BL	CPRW	06/28/19

Project Number
4426

Status
FOR INFORMATION

Drawing Number	Revision
SK152	

Commercial Building Concept Building Renders

Day view	Night view
 <p>View from Pedestrian Bridge</p>	
 <p>View from Speedway Pits</p>	
 <p>View from Track Entry Point</p>	

COMMITTEE WORK SCHEDULE

TO: Finance & Audit Committee

MEETING DATE: 17 June 2020

TITLE: Committee Work Schedule

RECOMMENDATION(S) TO FINANCE & AUDIT COMMITTEE

1. That the Finance & Audit Committee receive its Work Schedule dated June 2020.

ATTACHMENTS

1. Committee Work Schedule [↓](#) 

FINANCE & AUDIT COMMITTEE

COMMITTEE WORK SCHEDULE – JUNE 2020

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1.	June 2020	Financial Modelling report on the possibility of retaining one third of sections at Whakarongo for public rental housing at market rates	Chief Financial Officer	Due to staff resources being reallocated to EOC and recovery work during Covid-19 lockdown, this will be reported to the June meeting. Note, the Whakarongo development was included in the shovel ready application	Economic Development 11 March 2020 Clause 9.2
2.	August 2020	Business continuity planning update with respect to COVID-19	Business Assurance Manager	As per the business assurance plan approved by Council, a review was initiated on our Business Continuity Plans. The findings from this review will be reported back to the Finance & Audit Committee in August	18 March 2020 Clause 18-20
3.	August 2020	Health and Safety quarterly update	Human Resources Manager	Updated report to be provided to August meeting	
4.	April 2020 August 2020	Quarterly Performance and Finance Report	Chief Financial Officer		
5.	August 2020	Expenses of the Mayor and Deputy Mayor	General Manager – Strategy and Planning		Council 13 November 2019 Clause 148.6

Oasis # 13972985

- 2 -

Item No.	Estimated Date	Report	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
6.	September 2020		Issues and options report on the audit issues facing Council Controlled Organisations	Chief Financial Officer	Due to a change in Audit NZ director and then the Covid-19 pandemic we have not yet held discussions with Audit NZ and CCO's to investigate the issues	10 September 2018 Clause 27.6